

MESSAGE

SECRET

DEPARTMENT OF THE ARMY
STAFF COMMUNICATIONS OFFICE

RMR

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FROM: SANA TEHRAN IRAN

TO: DA WASH DC, CINCUSAREUR HEIDELBERG GERMANY, US DIV
ENGR MED DIV LEGHORN ITALY, USCINCEUR PARIS FRANCE,
CINCNELM LONDON ENGLAND, USDOCOSOUTH NAPLES ITALY,
COMFAIRELM, USAF LINDSEY AS GERMANY, 17AF GERMANY,
2ADIV DHAHRAN SAUDI ARABIA

NR: 060400Z

JW 1

JAN 61

STATE SECRET

SGD ROCKWELL

1. Political.

A. Internal

(1) Majlis

Election procedures finally began Jan 4 when Min Interior announced sending of official orders to 74 constituencies for formation election supervisory councils. Election other constituencies expected begin soon, though indications are vote in Tehran, some other major cities may be delayed. However, PM told Charge Jan 4 he expects elections be finished in 4 weeks, new Majlis installed by Mar 21. Also said govt still planning give people free choice among several approved candidates. This should produce "stronger", "cleaner" Majlis, he stated; however some difficulties, irregularities to be expected due to great illiteracy, poor communications, lack of control over provincial governors, defective election law. On subject Mosadeqists stated Saleh certain to be elected from Kashan, but Nationalist group in general jeopardizing own cause by pressing for too much too soon. (SECRET).

Comment: PM's views free choice among approved candidates do not jive entirely with other reports indicating actual winners have been selected for many constituencies. (SECRET)

RM/R
Anal. 32
Rev.
Cat.

DA IN 72936

(7 Jan 61)

SCD FORM 35-3
6 JUN 56

REPLACES OCS FORM
375-3, 1 AUG 51, WHICH
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MESSAGE

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B. Iran-USSR

Sov Amb Pegov returning Moscow to attend central committee meeting CPSU. (UNCLASSIFIED)

2. Psychological.

A. Press

(1) US-USSR

Ettelaat, though finding Khrushchev's gestures to Kennedy hard to believe, suggests US take good look, try to create at least some change Soviet policy and improve US-Soviet relations to lessen probability global war. (UNCLASSIFIED)

(2) 1961

Many papers gloomily appraise catastrophic 1960, express hope world leaders will have greater wisdom in 1961. Sen. Kennedy twice mentioned as giving hope for improvement. Kayhan notes gap between peaceful words of New Years greetings and warlike acts, specifically Laos, which may erupt into world war if either communists or US assume other side bluffing. (UNCLASSIFIED)

(3) United Nations

Tehran Mossavar, noting conspicuous failures UN, notes organization now instrument in great power struggle, fears its destruction soon or late. (UNCLASSIFIED)

(4) France-Algeria

Tajaddode Iran says problem cannot be solved by referendum, only by withdrawal French forces leaving heroic nation to Algerians. Russia blasts atom test as in territory over which France has no right assert sovereignty, calls on France give up childish obstinacy. Kayhan International in year-end report notes no peace possible in Algeria unless deGaulle eventually comes to terms with FLM. (UNCLASSIFIED)

(5) Congo

Bitter Vazin editorial accuses Belgians of causing Congo crisis, agents of colonialist of provoking Congolese against each other. Congolese, because weak, will continue be trampled on, as in past. (UNCLASSIFIED)

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(6) Nasser

Farda ridiculed Suez anniversary speech "insane dictator Nasser, nicknamed Little Hitler", noting "Egyptian victory" - that is, withdrawal attackers - brought about only by US-Soviet pressures. Warn Nasser's "foolish ambitions" of dominating Arab world doomed to failure. (UNCLAS)

(7) Loans to Iran

Two papers, lamenting waste in aid programs, challenge "success" of Hedayat mission, saying taking loans matter to be ashamed of, hoping for day when Iran no longer involved in borrowing. (UNCLASSIFIED)

(8) Inflation

Steady worry continues. Several papers suggest cooperatives, also encouragement small industry, though one warns such protection may be used by industrialists as opportunity raise prices. One paper attacks Tehran education committee suggestion teachers' salaries be raised through 10 percent rise gasoline tax as blatantly inflationary. Kayhan notes inflation has thrust cost of famous carpets so high they losing export market. (UNCLASSIFIED)

(9) Elections

Sporadic colorless comment continues, mostly bravely hopeful, though DAD admits memories past rigging leave uneasy feeling. (UNCLASSIFIED)

(10) Soviet-placed anti-American propaganda

Several reports received from members Iranian press that since about time of close Moscow Communist conference Soviets quietly stepped up efforts place anti-American materials in local papers. Materials said to be based entirely on reports in American press, dealing with Negro situation, crime, juvenile delinquency, similar. Payments to reporters for placing materials reportedly run as high as 10,000 rials (\$133.33) as contrasted with 1500 rials paid some 3-4 years ago. Stated also cooperative editors sometimes receive bonuses. (CONFIDENTIAL)

Comment: Possible example noted in Azhang 16 December. Article on lowering morals in US citing sources New York Post, Harvard prof, accompanied by reproductions erotic advertisement. One unconfirmed report that its some such articles may be originating GOI in effort counter anti-Iranian articles in US press. (OFFICIAL USE ONLY)

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(11) Expulsion English reporter
English-language Kayhan International
Christmas issue printed picture ragged woman washing at Jube
in South Tehran; stating this section of city never shown
foreigners, appealed for contributions for Christmas donation.
English reporter responsible asked leave Iran given no re-
entry visas. (OFFICIAL USE ONLY) Comment: Sensitivity foreign
attention backwardness instead of progress Iran. (OFFICIAL USE
ONLY)

B. Radio Moscow, NV

Radio Moscow said hoped 1961 would be year of
peace, see closer cooperation between Western and Eastern
blobs, but attacked aggressive American circles for creating
tensions, building military alliances such as NATO, CENTO,
SEATO and bilateral with Iran. Repeated charges US planning
use Iran as base for aggression. Pointed to Kharg Island
maneuvers as example. Said Iranian people not fooled, de-
manded renewal good relations between Iran and Russia. Iran-
ian ruling authorities should recall fate Feisal, Rhee,
Menderes and remove obstacles in way of better relations.
(UNCLASSIFIED)

NVI called Shah dictator, referred to treason, under-
handedness, intrigue in royal family, court. Said Shah and
his masters wish backward, enslaved nation, are conspiring
prevent free election Majlis because they know Iranian nation
will put an end to treason if allowed real freedom. Charged
fully-qualified Iranians being denied jobs because traitorous
group leaders have hired thousands of foreigners. Called on
educated classes to continue struggle for overthrow of regime.
(UNCLASSIFIED)

Comment: Radio Moscow continuing constant pressure
using NVI emphasize what is in store if Iran refuses negotiate
differences. (CONFIDENTIAL)

3. Military

A. Army

(1) Cholera control

Platoons of two companies, 3rd Battalion,
34th Inf Regt, stationed along Iran-Afghanistan-Pakistan
borders at Tayyebat (3428N-6100E), Jannatabad (3530N-6110E)
continue to control areas in vicinity of cholera epidemic

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(WEEKA 43). All other VI Corps units deployed during operation CHOLERA returned to garrison in December. (CONFIDENTIAL)

Comment: Although no cholera cases were reported in Iran, continuation of troop deployment considered precautionary measure. (CONFIDENTIAL)

B. Navy: Negative.

C. Air Force: Negative.

ACTION: ACSI

INFO: DCSOP, CA, OSA, JIG, OSD, AF, NAVY, STATE

DA IN 72936

(8 JAN 61)

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788.00 (w)

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GERMANY, COMDR 2ND ADIV DHAHRAN SAUDI ARABIA

NR: 121205Z JW 2 JAN 61

NOFORN
SGD ROCKWELL
1. Political
A. Internal

(1) Elections. Orders for formation Tehran, Tabriz election councils issued Jan 9. Voting underway in some provincial areas. Majority deputies expected be named in few weeks. Despite contrary assertions by PM, others, evidence mounting that elections thoroughly controlled. Winners have been selected for most seats including sizeable number non-party members. Contrary to earlier assurances, national front (Mosadeqists) being prevented from election activities. Election Saleh from Kashan, however, still possibility, though reportedly he threatening withdraw because of general suppression nationalist. Apparently govt hopes restrict adverse reaction through strict press censorship, holding of quick vote in safe areas, delay of vote in sensitive areas, and prevention open activity by opposition groups. Then reportedly partial Majlis is to be convened fait accompli. Govt expects some localized disturbances but believes they can be controlled. Nationalists have threatened hold student demonstration in Tehran in protest against rigged elections. (SECRET) Comment: Prospects are that Majlis will convene in one or two months time. Since neither two major parties expected have majority, Shah will be quite free pick PM without regard to party. (SECRET).

(2) Stabilization program crisis: Treasury fell \$11.5 million short of 21 Dec net debt reduction goal, thereby creating crisis of four-month-old stabilization program. IFM consultation required before further drawings on remaining \$20 million under \$35 million IMF standby credit. (CONFIDENTIAL) Comment: Issue up for heated discussion GOI with opposition to stabilization led by FinMin Zarqam, always opponent program. Outcome conjectural.

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(13 JAN 61)

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(3) Shifts plan org personnel. Resignation Khosrow Hedayat, managing director plan org, accepted by Shah effective in approximately one month. Reza Falah, an NIOC director, named acting deputy director and scheduled replace Hedayat when latter's resignation effective. Safi Asfia, capable deputy managing director, has also submitted resignation. (OFFICIAL USE ONLY) Comment: Falah widely regarded as urbane, clever, anglophile and corrupt. Plan org staff moral badly undermined due cited events; deterioration stabilization program and expressed intent prime min dismember plan org prior end current Iranian year. (CONFIDENTIAL)

(4) Iran del to OIC. Iran sending five-man del, led by NIOC official Ruhani, to Caracas meeting organization petroleum exporting countries opening 16 Jan. (UNCLASSIFIED)

Delegation set to counteract expected extreme Venezuelan position on prices and export limitation. Believed favorable toward membership application quota. (OFFICIAL USE ONLY).

B. Iran-Iraq

Iran gov and mil officials turned out in force for Iraqi army day reception given Jan 6 by Iraqi mil att. Ranking officials included FonMin Azodi, under sec Afshar, supreme commander Gen Hedayat, Min War Vosuq, Iranian Amb Aram and number of flag rank Army, Navy, Air Force and Savak officers. (UNCLASSIFIED) Comment: Conspicuous display of goodwill contrasted sharply with rather dismal affair of last year, to which Iranian failed send even token representation. (OFFICIAL USE ONLY)

2. Psychological

A. Press

(1) Algeria. Four favorable comments, Azhang saying referendum save colons "from falling from frying pan in to fire of younger imperialism." Poste Tehran notes Red China, Egyptian interference to expand influence in Africa, glad that FLN, "aware of Nasser's devilish objectives," moved hq from Cairo to Tunisia. Asiya states abstention by "true Moslems" constitutes real referendum, and France should clear out. (UNCLASSIFIED)

(2) US-USSR. DAD called message to Kennedy from "recognized leader of cold war" Khrushchev a "silver lining" on cloud over world, hopes for cooperation between two powers. (UNCLASSIFIED)

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(3) Cuba. Arezu claims Castro, "insane and ambitious," threw hundreds of thousands in jail, embraced communists because lacking popular support, now 26,000 communist soldiers in Mufti in Cuba. US severed relations because could not tolerate Castro's unwise actions. (UNCLASSIFIED)
Comment: Though in Iran most people tend to sympathize with small country against big power, communist issue tending mitigate this. Except in communist context, Cuba seems very remote. (UNCLASSIFIED)

(4) Turkey. Peyqame Emruz applauds constitutional assembly as wise move assuring return Turkey to freedom. Vazin pleased with loan for steel mill, but wants increase in US economic, technical aid to Iran. (UNCLASSIFIED)

(5) Oil. Upcoming Caracas OPEC conference revived issue. Several papers, noting "oil kings" frightened by alliance, call for greater unity. Azhang insists Iran has adopted 75/25 split profits as "clear-cut policy." (UNCLASSIFIED)

(6) Prices. Bawling-out given bazaar merchants by new Tehran mayor for not keeping promise to cut prices evoked considerable comment. Peike Iran says forget about cutting prices, just stop rise. Kayhan played down guilt merchants, pleaded for economic solution--cold storage facilities, rapid increase supplies, subsidies. Attitude majority papers is that even merchants' greed not much hope. (UNCLASSIFIED)

(7) Elections. Abundant comment, mostly bravely hopeful. Most paper grant sincerity of govt intentions to keep elections free. Eradeye Azerbaijan, lamenting lack woman suffrage calls on women to guide husbands to vote for right man. (UNCLASSIFIED) Comment: Papers under strict censorship. (CONFIDENTIAL)

(8) 25th anniversary woman's emancipation. (7 Jan) In addition praising Reza Shah, many papers follow lead of Queen Farah speech at ceremonies, call on women to make more progress than following western fashions, also learn from western advanced social life. (UNCLASSIFIED)

(9) Censorship. Latest issue weekly magazine Rowshanfekr (circ 15,000) suppressed for carrying sharply critical article on South Tehran slums. (OFFICIAL USE ONLY) Comment: See Weeka 1

(10) Soviet propaganda activity. Soviet press attache recently approached several Iranians, including editor Omide Irk and one USIS translator, offering 20,000 rials (\$267) monthly for translator, 40,000 for writer. (CONFIDENTIAL) Comment: USIS man knows no Russian. Probably want man to clean

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up texts done by Farsi-speaking Soviet citizens possibly also to translate from American press. See Weeka 1. (CONFIDENTIAL)

B. Radio Moscow, NVI

Radio Moscow "reviewed" events leading to Irano-Soviet 1959 non-aggression pact discussions, claiming that despite contrary assertion in Shah's memoirs, Iran had requested negotiations first. Said Iran's purpose was to blackmail Americans into guaranteeing Shah's regime. In another broadcast attacked ex-PM Eqbal and alleged he attempting regain post. (UNCLASSIFIED)

NVI attacked Sharif-Emami, cabinet, Pahlavi court for conducting elections which undemocratic, under control of embassies, court, min interior, Said elections being held in atmosphere of terror, treachery, hypocrisy. Said nation would not recognize bogus Majlis. Called on people to resist, saying regime will be defeated if showdown occurs. (UNCLASSIFIED) Comment: Progressive hardening of line noted as Iran Dewys sending goodwill mission. (Weeka 48) Also Soviet sensitivity to Shah's memoirs. (CONFIDENTIAL)

3. Military

A. Navy

A joint US/Iranian naval exercise was conducted in the Persian Gulf 3-8 Jan. All Iranian fleet units participated except Babr (under repair in Karachi). (UNCLASSIFIED) Comment: The IN showed improvement over last year. RAdm Savani showed more energy and initiative than his predecessor (CONFIDENTIAL NOFORN)

B. Air Force

(1) PAS flight to Africa. DC-7, Sabena-owned but flying as Persian air service chartered flight, departed 0530Z, 11 Jan 61, for Entebbe, Uganda, East Africa. Payload group Iranian Bahais ostensibly visiting members of same Repgus group in Uganda. (UNCLASSIFIED) Comment: Appears to be no political significance to visit. (UNCLASSIFIED)

(2) Ar/ground exercise. Imperial Iranian Air Force is scheduled to participate in five joint-air-ground exercises within next six weeks involving five air drops. Both paratroop and supplies. First is night drop during the week 16-20 Jan. Exercise will use Dezful as base for IIAF participation. (UNCLASSIFIED) Comment: Program may be reduced in order to eliminate night drops since Dezful is not yet ready for full night operations. (UNCLASSIFIED)

C. Army - Negative

ACTION: ACSI

INFO: DCSOP, CA, OSD, OSA, JIG, AF, NAVY, STATE

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(15 Jan 61)

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AB GERMANY, COMDR 2ND ADIV DHAHRAN SAUDI ARABIA

NR: 200800Z

JW 3

JAN 61

NOFORN

SGD ROCKWELL CHARGE

1. Political

A. Internal

(1) Elections (WEEKA 2)

Provincial Majlis elections have filled about twenty-five percent of seats. All winners so far on pre-approved list. Melliyn Party holds wide lead. Tehran voting tentatively scheduled Feb 1 - 3. All three days will be holidays. Public generally apathetic, cynical despite public declaration by Shah that elections would be free. National front, Baqai have been holding meetings, drawing fairly large crowds. Censorship preventing press coverage these meetings, thus preventing wide knowledge their charges elections not free. Reportedly PM Sharif-Emami has intervened to cancel few elections when convinced they flagrantly rigged, but his role ambiguous, his position apparently rather weak. (SECRET)

Comment: Govt's plan hold quick, quiet elections showing ragged edges, though security situation still well under control. Plans for holding Tehran elections on public holidays show govt's concern over possibility student or other disorders. Little prospect elections will be much better than last time. (SECRET)

(2) Stabilization program crisis

Dep PriMin Sajjadi called in Emb Econ Counselor 18 Jan discuss stabilization program crisis (WEEKA 2). Main point was that shortfall in meeting 21 Dec goal

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for treasury dept reduction due in part treasury advances to plan org required because PL 480 funds not yet available to latter; said in any case shortfall exaggerated because quarterly oil payment came only after end reporting period. Gave assurances GOI's good faith and firm determination to carry out stabilization program to best of ability. Expressed several times considerable anxiety re consequences for Iran if Min War does not receive quickly its de-generated rials (WEEKA 49). (CONFIDENTIAL)

Comment: Sajjadi's explanation shortfall entirely unconvincing and quarterly oil payment argument unsound. Nevertheless, debate in and out of Cabinet last few days appears have had beneficial effect refocusing Ministerial attention on necessity stabilization program. Issue still unresolved and will probably remain so at least until Iran finds it necessary apply for next drawing under IMF standby credit. Emb believes US ability to continue play strong supporting role stabilization program will be greatly reduced if cannot deliver quickly on DS for Min War. (CONFIDENTIAL)

(3) Central bank freezes plan org accounts
In course bitter exchange Jan 16 Cabinet meeting, MinFin Zargam accused bank Meli "grave violation law" due substantial loans plan org. Claimed these loans not specifically authorized Majlis and therefore is legal. Demanded investigation and punishment officials involved.

Central bank gov Kashani pointed out loans made instructions Shah and Cabinet. Said while legal issues being explored would freeze plan org accounts. PriMin then ordered investigation legal issue. (CONFIDENTIAL)

Comment: Zargam's charges part of his personal attack on Kashani; also smokescreen cover his own failures re stabilization program. While he may be legally correct re need specific Majlis authorization for loans, his onslaught on Kashani could boomerang since loans definitely made with approval Shah. Econ/Pol consequences continued freezing plan org accounts would be severe. (CONFIDENTIAL)

(4) Power struggle for control of plan organization (WEEKA 2)
In startling reversal, Reza Falah, who was

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named last week replace Khosrow Hedayat as director plan org, has resigned. Safi Asfia designated replacement Hedayat. (OFFICIAL USE ONLY)

Comment: Asfia highly regarded viewpoint integrity and technical ability. Falah's reputation bad. Evidence seems clear he was personal choice Shah. Nevertheless, Shah reversed decision face appeals by Hedayat, Minind Ziai and perhaps others. (CONFIDENTIAL)

B. Iran-USSR (WEEKAs 2, 48)

FonMin under Secty Afshar told Charge that Sov Amb Pegov had delivered verbal message from Khrushchev to Shah on Jan 8 which, in principle, accepted idea Iranian goodwill mission to USSR. Afshar, however, believed Sovs intend pressing for advance negotiations in order reach agreements which can be announced publicly in Moscow at times of goodwill visit. (SECRET)

2. Psychological

A. Press

(1) Elections

Most papers continue respect instructions not stir up trouble, to govt line that govt is impartial, elections as free as possible, call on populace to exercise rights, etc. DAD conspicuous exception with claims elections rigged. Donya, in dead-pan article, notes 20th Majlis will prove as obedient as 19th: Govt, under instructions from Court Minister Ala, will ignore its recommendations as before; warns Deputies against raising salaries since 99 percent will be rich and won't need it; suggests after passing new election law 20th Majlis may be dissolved "to elect a representative Majlis". (OFFICIAL USE ONLY)

Comment: Publisher DAD, Amidi-Nuri, fabulously wealthy opportunist, generally unpopular, miffed at not being for Majlis, now venting spleen. (OFFICIAL USE ONLY)

(2) Eisenhower

Principle Daily Ettelaat says despite setbacks of 1960, President can look back with satisfaction, as he maintained position US held under Truman plus peace.

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Eisenhower's success, "though not very brilliant", made him world-popular leader for peace. Arezu all out in praise man of peace, citing specifically Suez, Congo. Ferdowsi, diplomat blast Dulles and President with him for dollars-arms policy without Democracy which ineffectual fighting Communism, as in Laos; claim Eisenhower "peaceful coexistence" policy failed. (UNCLASSIFIED)

Comment: On whole, Eisenhower prestige exceedingly high Iran. (UNCLASSIFIED)

(3) Kennedy

Three small papers hopeful young, wise, realistic, peace-loving man will save world from war, one rejoicing departure Republicans. Peyqame Emruz delighted Kennedy will not allow military meddle foreign policy, as this main cause world chaos; praises substance Kennedy Massachusetts speech. US-baiting diplomat (above) praises "far-seeing man" who shows "greatness of mind", but predicts once in office Kennedy will be unable to put ideas in practice, like Eisenhower. (UNCLASSIFIED)

(4) Iran-USSR

In lone comment, Jahan states in view of forthcoming anti-US speeches in Majlis US aid may decrease, therefore will probably come from USSR. (UNCLASSIFIED)

(5) Laos

Comment scant. Mashal claims Soviet-US intervention turning Laos into scene bloody war, spawning world war; calims differences between govt and Communists in Laos less than those between US-USSR. Ferdowsi claims US, realizing SE Asia can never be brought into anti-Communist camp, has unwisely created crisis, will harvest bad fruit. (UNCLASSIFIED)

B. Radio Moscow, NVI

Radio Moscow attacked Majlis elections, said talk about freedom was nonsense. Stated Iranian ruling authorities imposing new anti-national, corrupt, reactionary Majlis on people; however, despite terroristic atmosphere Iranians would protect their interests. Also claimed rotten regime responsible for recent industrial tragedies due lack proper supervision. (UNCLASSIFIED)

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NVI also concentrated on criticising elections and included personal attacks on Shah, PM Sharif-Emami, Cabinet, Royal Family, Court. Said present Cabinet no better than Eqbal's since continuing his treason. Said Princess Ashraf engaged in smuggling narcotics, spying for US. Called elections illegal, bogus. (UNCLASSIFIED)

Comment: Radio Moscow appears have reverted to same hostile line which characterized its propaganda before fall of Eqbal Cabinet. NVI simultaneously has renewed the virulent personal attacks which it had dropped a few months ago. Present line appears designed force Iran into talks re Iran-Soviet relations. (CONFIDENTIAL)

3. Military

A. Army: Negative.

B. Navy

(1) Gulf exercises (WEEKA 2)

VAdm Rassai stayed Persian Gulf area after joint US/Iranian exercise inspect small Naval shore installations Gulf. He plans return Tehran approximately 21 January. (UNCLASSIFIED)

Comment: VAdm Rassai gets out of his office more than his predecessor. In response to his interest in ships have improved. (CONFIDENTIAL NOFORN)

C. Air Force: Negative.

ACTION: ACS1

INFO: DCSOP, CA, OSA, JIG, OSD, AF, NAVY, STATE

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NR: 261530Z JW 4 JAN 61

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SGD WAILES

1. Political
A. Internal

(1) Maj Lis

Eighty-four persons elected. Melliyun Party holding slight edge, but neither official party expected obtain majority. While press censorship still generally in effect, numerous reports and rumors of election abuses, disturbances circulating. Rumored also that remaining winners lists will be revised in attempt meet some objections. Nation front, Baqai holding public meetings freely criticizing elections. Baqai speeches especially inflammatory. Important Tehran vote now expected begin Feb 2. (CONFIDENTIAL)

Comment: Confused, indecisive administration apparently has ruined hopes for quiet, orderly elections, has given some encouragement to opposition. However, govt maintains security situation still well in hand. (SECRET)

(2) PM's description of Shah's attitudes

PM told Charge Jan 23 that he believes Shah dissatisfied with basic US-Iran relationship. He mentioned Shah's unhappiness over degree of US support in military field, also his anger over recent AP dispatch reporting Jan 20 national front election meeting. In latter case, Shah went into temperamental rage over what he considered unfriendly article containing deliberate inaccuracies. PM gave impression he upset over Shah's current attitude regarding US but did not know what to do view Shah's personality, exaggerated desires, and weak position Iranian PMs vis-a-vis Shah. (CONFIDENTIAL)

Comment: PM, who once talked boldly of his plan to resign if Shah interfered with conduct of his office, seems to

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have acquired chastened, meeker attitude from his experience with temperamental, moody, autocratic ruler. (CONFIDENTIAL)

(3) Record oil production and revenues

Consortium net fields production of 1.15 million bbl per day in December brought 1960 total to record level 51 million long tons, 14.2 percent over 1959. Fourth quarter payment \$72.8 million received 15 January. (UNCLAS)

Retroactive income tax payment, due to be paid before end of Iranian year, calculated at \$6.4 million; this will bring total 1960 revenues to \$287.2 million, which surpasses consortium's recent pledge of \$282 million (WEEKA 44) and is 10 percent higher than 1951 revenues. Consortium plans 10 percent production increase 1961 but has told Min Finance that revenues will be \$290 million, only 1.3 percent above 1960, attributing discrepancy mainly to rising costs. (CONFIDENTIAL)

Comment: Appears consortium deliberately conservative on 1961 revenues forecast for tactical reasons. If production increases 10 percent, revenues will probably rise at least 5 percent and reach \$300 million. (CONFIDENTIAL)

B. Iran-USSR

In talk with Charge, PriMin said there might not be good will mission to Moscow if Sovs continue press Iran Gov agree to negotiations on political subjects. Added Shah and he were determined mission would not be empowered undertake such negotiations.

In later conversation, PriMin said he had told Sov Charge Tarassov it was difficult see how goodwill mission could proceed to Moscow in light of radio Moscow attacks on Iran Gov and Iranian elections. (WEEKA 3) Said if such broadcasts came from NVI, perhaps it could be said they were not official, despite fact Iran Gov well aware this transmitter run by Sov Govt. Tarassov replied that since he did not understand Persian he unaware content radio Moscow Persian language broadcasts but would ask his govt for info and convey PriMin's representation to Moscow (CONF)

C. Iran-Iraq

FonMin official told Emb officer Amb Aram will return Baghdad shortly. Plans stopover at Abadan enroute. (OUO)

Declared GOI has not authorized resumption Iranian pilgrim travel to religious shrines in Iraq, although Iran Govt has relaxed visa restrictions for this purpose. Said this

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suggestion remains under more or less continuous consideration.
(CONFIDENTIAL)

D. Iran-Pakistan

Pak President Ayub Khan stopped over Tehran enroute home from trip to Yugoslavia and Germany. Held talks with Shah, reportedly agreed in principle early conclusion trade agreement. (UNCLASSIFIED)

2. Psychological

A. Press

(1) Elections

Rather light comment, same themes as last week general conformism breached by Peike Iran accusation Governor of Nain taking biased attitude in elections, but DAD Defense its duty editorialize on irregularities, and especially by weekly Handanid which complimented new Minister Interior on speed with which he learned manipulate elections and on being more skillful than ex-PM Eqbal. Wondered why govt. talked free elections when it now obvious elections no better than last summer's. Suggested govt "let" only competent representative persons be elected, warned govt "not to take improvident actions against rights..of people and by so doing cause them rise up against them and do what they should not". Savak reportedly called in publisher, clamped lid on. Issue just out has blank editorial page containing at bottom quotation last week's press conference Senator Dadgar saying in part "job of press is...to criticize, discuss questions of day, otherwise has to offer blank page." (CONF)

(2) Kennedy

Flood of editorials drowned most other comment. Vast majority favorable, hopeful, stress youthful vigor new President, man of peace, realist. Numerous papers hoped further strengthening Iran-US relations, several stressing Kennedy should appreciate importance Iran to US, two demanding more aid. Only one paper picked up President's suggestion countries quit asking what US can do for them. Ettelaat singled out call for joint US-bloc efforts for world peace as most significant. Vazim singled out Kennedy determination to "solve world's biggest problem, gap between rich and poor", saying if he succeeds will emerge as most brilliant and outstanding figure of history. Jehan, noting in two wars Iran supported Germany because best counterbalance to British, Russian influence, warned Kennedy to keep in mind Iran does not love US, supports it because of community of interests, opposes Communism because it is against interests of Iran. (UNCLASSIFIED)

Comment: All papers had text inaugural address,
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distributed by USIS shortly before actual delivery. (UNCLASS)

B. Radio

(1) Soviet film on TV

Iran-TV evening 24 Jan showed Mos film production of Prokofiev's ballet Romeo & Juliet; script in Russian. (UNCLASSIFIED)

C. Films

(1) Soviet movie

Three theaters recently screened Soviet film of ballet advertised as based on famous 13th century poem; Legend of Leila and Majnun. Two theaters dropped film after three days reportedly because of lack audience interest. (UNCLAS)

Comment: Iranians comment though music, photography good, no discernible connection between ballet and legend, script dull, poor farsi. Soviet soft sell apparently fell flat. (OFFICIAL USE ONLY)

D. Radio Moscow (NVI)

Both criticized elections. Radio Moscow said situation dirty, a shame. Said hated candidates being imposed on people; but Iranian patriots gathering together to prevent hypocritical elections from being completed. Stated protests flooding Tehran authorities, press reporting numerous trickeries, students demonstrating against election fraud. NVI accused American, English oil monopolists of rigging elections through their Embassies in Tehran. Said nation considers elections illegal; will take advantage of regime's disclosed weakness to revive oil nationalization law, oust Americans, English, Royal Court, government from country. (UNCLASSIFIED)

3. Military

A. Army

(1) Field visit

On 21 Jan ARMA and AARMA completed 5000 km 13-day visit artillery and infantry centers and units V and VI Corps, IIA. Units primarily engaged in individual and crew-served weapon training. (CONFIDENTIAL)

Comment: Condition of troops and equipment appeared above average in all units except 6th Independent Inf Brigade and 162nd Cav Battalion (both non-MAP). These units

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FEB 61

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SIGNED WAILES

1. Political

A. Internal

(1) Majlis election developments

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Week marked by opposition protests. Jan 26 some 5-8,000 students held meeting at university, demanded free elections, threatened demonstrations. Jan 27 about 20,000 national front adherents and some 5,000 Baqai followers attended separate meetings, heard speakers attack elections, govt. Beginning Jan 28 security forces began arresting student leaders and on Jan 29 closed NF club. In protest twelve NF leaders took asylum in senate building Jan 30; numbers later increased to 17. Announcement election Alayar-Saleh from Kashan Maddi Jan 30, but had little effect. Student demonstration began on university grounds morning of Jan 31, continued to mid-afternoon. Some clashes occurred Jan 31- Feb 1 between police and students, also when police prevented outsiders from entering university. Further arrests of students made by police same two days. On Feb 1, a religious holiday. Situation settled down by afternoon despite meetings of NF, Baqai. City outwardly calm as Tehran voting began Feb 2. (SECRET)

Comment: Authorities for first time appear concerned, primarily because of difficulty handling aroused students without adding fuel to flames. So far police have shown good discipline, ability control disturbances. (SECRET)

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(2) Ambassador's talk with Shah.

In meeting with Amb Feb 1 Shah first inquired about Kennedy administration's intentions towards Iran. He expressed disillusionment over CENTO; said he sending letter to Kennedy in few weeks re next year's military assistance program. Shah seemed reasonably pleased about progress Majlis elections, though admitted they not as honest as he would wish. He said had absolute proof student disturbances largely work of Soviet agents. On Iran-US relations he said neutrality for Iran impossible, but he worried because number of persons spreading Soviet line Iran could get neutrality guarantee from great powers, thus obtain aid from both sides. Shah said as yet no request received from UN to send troops to Congo. See below for Shah's comments on Iran-USSR relations. (SECRET)

Comment: Shah seemed in good health, cheerful, firm about Soviet, optimistic except for CENTO and next year's military budget. (SECRET)

B. Iran-USSR

In talk with Amb on Jan 28 PM Sharif-Emami said Shah had agreed goodwill mission should not be undertaken until communique as prepared in Tehran and agreed to by Sovs, and that if PM heads mission it should be delayed until end of March due formation new Cabinet, British Queen's visit, and budget. PM said he urged Shah hold out for complete cessation Sov propaganda before sending mission but latter declined make firm commitment on this recommendation. PM plans discuss proposed communique with Sov Amb Pegov who is expected return shortly.

Shah told Amb Feb 1 that most recent note from Khrushchey indicated Sovs willing receive goodwill mission with no commitments other than statement Iran would allow no foreign mission bases on its soil. He felt this was considerable backdown on their part and attributed this to his firmness in dealing with Sovs. Also indicated decision send mission was not yet final, that mid-March would be earliest date in any case and that mission definitely would not be authorized make any commitments. (SECRET).

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2. Psychological

A. Press

(1) New administration

Medium comment still hopeful, well-wishing several small papers applauding "progress" toward improvement US-Soviet relations. Tajaddode Iran in severely critical article calling for US abandonment imperialistic policies and applauding "decision" not to support corrupt govts just because anti-Communist, praises Kennedy, Bowles, Stevenson, Rusk as talented and brave. Major daily Ettelaat claims US anti-Communist struggle failed because not based on positive principles. Unless US meets Communist struggle against Feudalism and for industrialism with new progressive program. All aid programs futile. Other nations, given freedom and progress, willing shoulder heavy burdens, but not "under disguise of anti-Communist struggle". Elsewhere Ettelaat praised State of Union Message as indicative moral strength, stressed Kennedy statement on need for strength to prevent outbreak of war. (UNCLASS)

(2) Congo-UN

Idea Iran send troops to Congo operation opposed by Peyqame Emruz, Sedaye Mardom in view lack clear-cut UN policy in Congo, its inertia, use UN forces to support colonialist reactionaries. Ferdowsi claims UN has accomplished nothing, is used by big powers to suppress small; world was better off before UN because then nations forced lean on their own strength. No other comment. (UNCLASSIFIED)

(3) Elections

Sanguine editorials continue, but further dissident voices arise. DAD, Sedaye Mardom, noting suspicious-neck-and-neck race two parties, claim it all prearranged, Ettelaat Melli claims people must vote, for when they see their candidates not elected they will have proved elections false.

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Eslahate Iran says same old faces will appear, and new Majlis will meekly do govt bidding; Sedaye Mardon add 90 per cent of winners will be same old landlords, other 10 per cent their associates. Elm O Zendegi twice attacked elections, most recently saying govt propaganda hiding fact nation about to die under heavy burden imports; fact people have no hope, — that nation "is rotten from the root". "Fuedal lords" ensconced in provinces finagle Majlis which will never implement social reforms. News embargo also breached slightly as Kayhan reported provincial anti-election bazaar strike and meetings independents; Elm O Zendegi reported 26 Jan student gathering, several national front meetings. DAD carried four columns, beginning front page, on 28 Jan meeting at Baqai Headquarters. (OFFICIAL USE ONLY)

Comment: Weekly Elm O Zendegi has only few hundred circulation. Latest issue reportedly being picked up by security authorities. (OFFICIAL USE ONLY)

B. Radio Moscow, NVI

Radio Moscow attacked imperialist monopolists who take major part of income from Iranian oil, other resources out of country; contrasted selfless Russian attitude that all income from foreign-aided economic development institutions must belong to country in which established. Good example for Iran is India, whose govt knows participation eastern govts in arms race, aggressive alliances prevents development; India gets all income from its Russian-aided institutions.

Kennedy inauguration breeds hope better international relations; his statements greeted with pleasure while world waits to see whether they come true; Russian policy of friendliness shown by release two American pilots. Iranians hope decreased world tensions will help their struggle for Democratic elections, freedom, Iranian, Russian people want reestablishment of good relations between two countries, but Iranian ruling authorities trying prevent this.

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NVI continued criticism royal court's rigged elections. "Coup regime" wants foreign embassies to vote in place of people, but nation continues fight against "coup regime", for example, by mass rally partisans of freedom in Tehran University; regime tried suppress news, but nation fully informed of rally. (UNCLASSIFIED)

3. Military

- A. Army; negative
- B. Navy; negative
- C. Air Force

(1) Rescue mission

MAAG Iran L-23 Army aircraft missing on flight Tehran to Ahwaz 6 Jan. USAF search and rescue mission from Wheelus, Libya, arrived and conducted search. Iranian air and ground units assisted. Aircraft found on mountain 29 Jan. (UNCLASSIFIED)

Comment: Excellent cooperation between Iran-US military forces. Crash scene not reached by ground party yet. No hope for survivors. (UNCLASSIFIED)

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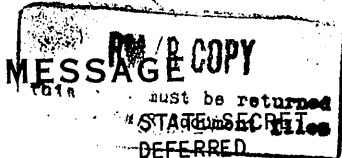
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FEB 61

1. Political
- A. Internal.

(1) Majlis election developments. No major incidents occurred during Tehran voting ending Feb 4. After completion vote, however, authorities closed university in attempt forestall further student disturbances. Teachers' Training College also closed when students staged sympathy strike. Both schools plus boys' high schools placed under guard. Feb 5 two groups several hundred students staged demonstrations in Bazaar area, but were dispersed by club-wielding police. Similar attempt Feb 6 by smaller number students also failed. Tabriz Univ students held one day sympathy strike Feb 6. By Feb 8 authorities had announced two university faculties, Teachers' College had reopened, other faculties expected resume classes by end of week.

Mozafer Bagai arrested Feb 5. National front leaders still taking refuge in senate.

Nation-wide voting nearly complete. Results so far show 59 Melliiyun, 53 Mardom, 24 independents. Tehran Tabriz results expected be announced within few days, not likely upset general balance. Several reports indicate new Majlis may be convened within one to two weeks. Tehran press Feb 9 carried report Majlis would act on pressing legislation, pass new election law, then be dissolved for new elections. (SECRET)

Comment: Situation appears be nearing equilibrium, chances for further major disturbances appear slight. However, events past two weeks have left residue of bitterness, no doubt have detracted from Regimes standing. (SECRET).

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(2) Plan org financing crisis: Financing problems plan org now acute; with more than two months to go before due date next oil payment, plan org accounts at Central Bank overdrawn \$6-million and \$20 million owed contractors. In accord with stabilization agreement obligations, Central Bank has blocked plan org accounts. (CONFIDENTIAL).

Comment: Possibility present financing crisis apparent some time. During Oct financial discussions with US team here, Iranians outlined hope avoid crisis by early utilization ex-IM and PL 480 loans and short-term borrowing private foreign banks. These hopes unrealized to date with result extensive work stoppage now distinct possibility. (CONFIDENTIAL)

(3) Financing provisions for war ministry: Following prolonged dispute within cabinet, arrangements have been worked out which should permit transfer in rials to ministry war substantial portion FY 61 defense support of \$19 million since now in 11th month Iranian year, need critical. Central Bank has agreed advance rial equivalent \$9 million to military. In addition, ministry customs has agreed transfer rial equivalent about \$2.4 million prior end Iranian fiscal year deprived from sale sugar. (CONFIDENTIAL)

Comment: The \$11.4 million resulting from these arrangements would be sufficient meet most urgent military needs, although substantial indebtedness to contractors and other ministries would remain. Ability customs ministry carry out its part transfer arrangement complicated by tightness sugar holdings. In view delays in sugar purchase authorizations, ministry this week placed orders abroad for 30,000 tons sugar, using \$2. million of rapidly dwindling foreign exchange reserves. (CONFIDENTIAL).

(4) Sov Bloc trade negotiations. Czech trade delegation now in Iran negotiating renewal of 1957 clearing agreement, to provide increase each way from 55 million Swiss francs to 60-million. Iranians asking higher proportion (70 percent) capital goods, Czechs asking for more mineral ores including copper, iron, chromite, zinc, and lead. Hungarian delegation also now in Tehran seeking to develop a barter agreement for trade each way to \$9-million but Iranians

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offering only \$6-million. (CONFIDENTIAL)

B. Iran-USSR

Press has now reported Sov charge Taras Sov extended official invitation PriMin Sharif-Emami to head Iranian Goodwill mission to Moscow. Commenting on report PriMin said acceptance would be deferred until return of Sov Amb Pegov with whom details must be worked out. (UNCLASSIFIED)

C. Iran-Germany.

Dr. Hans Joachim Von Merkatz, acting FonMin German Federal Republic, stopped overnight Tehran Feb 6, enroute home from far east. Press reports German economic mission headed by Min Economics official Kurt Daniel, and including representatives of FonMinistry, banks and industry, will arrive Tehran next week and remain until early March. (UNCLASSIFIED)

2. Psychological.

A. Press

(1) Elections, demonstrations. As Tehran elections draw to close press silence broken. Major daily Ettala'at, asking what was difference between present elections and last summer's, concluded none, and if elections held ten times results would be same, owing to defective electoral law, which "honorable" govt unable to do anything about. Until amended, no amount demonstrations, booing, hollering would help any but hoodlums.

DAD continued attacks warning present dangerous course widening gap between people and ruling class. Khusheh, normally arty, non-political, proclaimed light Tehran vote proves people know real situation; belief elections earnestly conducted just wishful thinking. Azhang, praising PM's loyalty, pleaded he tell people truth about elections. Donya contrasted 90 percent population Kashan voting for Saleh with light Tehran vote. Nahid complained press not free. Socialist elm O Zendegi meanwhile continued print national front declarations and based accounts student demonstrations beatings, NF meetings. Printed photos demonstrations, elections, with mocking captions. Editorially cried fraud, said present corrupt regime cannot join Kennedy march to new frontier since without people's support will soon lose support of West. Meanwhile five papers incl Ettela'at attacked NF as made up of

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men guilty of worse behavior when in power than govt they now accusing.

On students, majority papers echoed govt line that disturbances caused by unidentified "small handful provocateurs," though some recognized students had legitimate gripes. (OFFICIAL USE ONLY)

Comment: DAD suspended after last Friday's report of Baqai meeting. According to news vendors, Savak agents came to pick up Monday issue elm of Zendeji, found almost all copies sold out. Curious reference "new frontier" reflects tendency NF to assume U.S. supports it. (OFFICIAL USE ONLY)

(2) Kennedy. Continued hopeful comment not uncritical. Ettala'at noted that except for Marshall Plan, U.S. aid bore no results, as channeled to govts have no links with people. Demanded overhaul aid program to assure funds spend by healthy administrations. Noted communist expansion best opposed not by bayonets but by firm popular will; one small paper claimed aid, though appreciated, did not support independence under-developed countries, another that all fires in world kindled by unrestricted U.S. aid. Ferdowsi, applauding Kennedy "reprimand" of Adm Burke questions U.S. anti-colonialism since U.S. ally of worst colonialist govts. Estakhr warns Iran has opposed Communism because it in her interest, asks Kennedy pay less attention Iran as mountainous buffer against USSR, more to its national stamina, echoed by couple others. Peyqame Emruz applauds President's frank exposition U.S. troubles as sign of "white social revolution". Jehan hopes freedom Kennedy wants is not Kuomintang kind. Many applaud Kennedy's message to Shah, some saying Iran "honored," Kennedy realizes Shah man of peace. Hopes for US-USSR approachment still expressed. (UNCLASSIFIED)

Comment: Reaction to Kennedy's message reflects govt's relief at receipt long hoped for reply. (UNCLASSIFIED)

(3) Johnson speech. Several papers take exception Johnson statement Middle East "need bread not bombs". More important factor ME political unrest is lack freedom, peace stable, honest govts, respect for small nations. (UNCLASSIFIED)

DA IN 83525

(10 Feb 61)

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Comment: As usual Iranians feelings hurt implication poverty. (OFFICIAL USE ONLY)

(4) Iran-USSR. News coming good will visit PM to USSR hailed as opportunity, but with usual warnings past failures improve relations fault of USSR. Meanwhile, Jehan noted Sputniks and ICBM's not principal Soviet weapon of conquest, but ideology, which flourishes in discontent, called on all elements society work to uproot discontent. (UNCLASSIFIED)

B. Radio Moscow-NVI.

Radio Moscow continued campaign against foreign exploiters, and for Iranian policy neutralism and friendly relations with Soviets. Said Iranian people demand revision foreign policy, cooperation with all countries following Pakistan's example, condemn attempts persuade Iran participate imperialist adventures Congo. Iran has rich culture, Iranian people more talented than arrogant westerners; industrial backwardness Iran due unproductive military expenditures, thieving activities foreigners whose policy seeks prevent industrial development, thereby maintain dominations. Solution lies expansion economic relations with socialist countries, prevention activities foreign monopolists, adoption neutralist policy, reduction military expenses. (UNCLASSIFIED)

Ignored Majlis elections, Shah govt is contrast constant bitter attacks throughout most of January (UNCLASSIFIED)

NVI did not slacken attacks on "coup regime," election so-called deputies who do not represent people. Said people boycotted Tehran elections, students, joined by laborers and bazaar merchants, fought openly against "coup regime." Newspaper DAD suppressed for writing facts of disgraceful lack freedom. Police attacked peaceful demonstrators, Arrested hundreds of students, others hospitalized some; factory laborers arrested or dismissed. "Coup regime" realized own weakness, nationalist forces have necessary power, must use it today, take freedom by force. (UNCLASSIFIED).

Comment: Radio Moscow change of emphasis reflects coordinated Soviet campaign encourage Iranian goodwill mission to Moscow. NVI unaffected. (OFFICIAL USE ONLY)

3. Military: A. Army-neg; B. Navy-neg; C. Air Force-neg. SGD WAILES

ACTION: ACSI

INFO: DCSOP, JIG, OSA, OSD, AF, NAVY, STATE, CA

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ARABIA

NR: 170700Z

JW 7

FEB 61

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SGD WAILES

1. Political

A. Internal

(1)

Majlis elections.

169 deputies now elected. Majlis
expected convene approximately Feb 20-22.

Modest opposition efforts kept alive
by continued asylum national front leaders, detention student
leaders. Feb 10 NF outdoor meeting broken up by police,
occasioned some violence. NF issued call for general strike
Feb 11. On 11th university reopened completely, but most
students stayed away, later caused minor disturbances in univ
area. Large part of bazaar closed same morning. Following
meetings between univ officials and students, some detainees
released Feb 13, but students staged protest when they discovered
many still in custody. Protests repeated on following days.

NF source informed Emb officer
demonstration planned day Majlis opens (CONFIDENTIAL)

B. Iran-USSR

Fon ministry confirmed agreement on goodwill
mission with political announcements Feb 15. Statement declared
that in order confirm Iranian goodwill and in view of desire
shown by Sov govt it is planned that PMN Sharif-Emami visit
Moscow and confer with Sov PM Khrushchev. Date of visit to be
announced. News agencies reported visit expected take place
after Iranian new year holidays, which commence Mar 21.
(UNCLASSIFIED).

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Announcement delayed several days due
Sov delay in signifying agreement with Iranian text proposed
for simultaneous release Tehran and Moscow. (SECRET)

C. Iran-Iraq

Amembassy Baghdad reported Iranian Amb
received message from Tehran saying Iranian harbor masters
will begin berthing ships at Abadan Feb 15. Deputy FonMin
subsequently informed this Emb that Feb 14 Iran gov had
received request from Iraqis to postpone this action. Stated
then that he did not know what reply would be made. (CONFIDENTIAL)

Consul Khorramshahr reports Gen Shawi,
DirGen Basra port authority and mil commandant Basra area
visited Abadan and Khorramshahr Jan 31 to Feb 5, accompanying
Iraq athletic teams. Iraqis used occasion promote improved
relations in Shatt Al Arab area. Iranian dir ports and
navigation declined say whether any discussions on Shatt
questions had taken place. (CONFIDENTIAL)

2. Psychological

A. Press

(1) Demonstrations, elections

Torrent of comment chorused in unison
that students had been misled by "subversive elements,
provocateurs, foreign agents", or the like. Major Ettelaat
editorialized daily. Several papers defended pure motives
of students, recognized their genuine grievances. No mention
national front, though one paper made transparent references
to Mosadeq era. Ettelaat and poste Tehran stated conclusive
proof at hand Tudeh (Communist) party intent use students to
create Chaos, but avoided connecting Tudeh and NF. Vazin
regretted students no longer have recreational center on
campus, with result they left free to roam and see with own
eyes rigging of elections; recommended reestablishment
center. Elm O Zendeji meanwhile continued outspoken editorials,
and last Thurs special edition picked up at newsstands, but
paper not suppressed.

On elections, several papers call for
Majlis to perform essential functions, including new electoral
law, then be dismissed, though some papers doubt any law
forthcoming because this amounts to deputies' destroying their
own good deal. Rigged nature elections taken for granted,
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two papers saying no better than last summer's.

All this encouraged Jehan to comment on Iranian habit of lying, saying this result of fact govt lies from morn till night, lie being stepladder to success, and setareye Tehran referred to deep-rooted dissatisfaction among people, blasted "ruling class" as interested only in self, and ones who run to exile when real trouble arises (though praising PM Sharif-Emami) called on Shah to institute "drastic change in all our institutions", including new ruling class.
(CONFIDENTIAL)

Comment: Unanimous judgment press on students obviously govt inspired. Reveals govt realization cannot get away with damning students, must shift blame. This propaganda line may just lead to more trouble, as students encouraged to try for more. (CONFIDENTIAL).

(2) Lumumba

Four small papers angrily blame murder of Congo's "Champion of Freedom" on imperialists. Bamfjcd* notes Lumumba could have strong Premier had he compromised with imperialism, but refused to submit. Kayhan warns this error of west will induce Congo to drift to opposite camp, present Congo govt responsible for murder, and now completely lacking confidence Congolese; west must back some other National leaders successor to Lumumba. Jehan criticizes Lumumba's connections with Nasser and Communism. Poste Tehran says if Lumumba had really thought of Congolese he would have created harmony; his death natural result his selfish actions, and solves most problems. Ettelaat notes Lumumba more use to Communists dead than alive. Russians blame others for this crime, forgetting their own numerous crimes in Eastern Europe. If Russia had not undermined UN in 1956, handful low-class elements in Katanga could not now make mockery of it. Calls for strengthening UN; foreign (Soviet) intervention would be contrary to Lumumba's own principles. (UNCLASSIFIED)

(3) Laos

Ettelaat, Omide Iran applaud Kennedy agreement in principle to Laotian neutrality, present trend for U.S. attach greater importance to sound composition of a regime

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than to its anti-communist nature. (UNCLASSIFIED)

(4) Kennedy

Calling coexistence theme more dangerous challenge than cold war, Ettelaat says Americans lucky to have "responsible" Syan at Helm. Kennedy's principal drawback is that comfortable, wealthy nation not prepared to accept fact its supremacy might be lost. No other comment. (UNCLASSIFIED)

(5) Iran-USSR

Light comment, same themes. Vazin adds its displeasure at rumor Soviet gestures are gambit in move to achieve rapprochement with US., as Iran-Soviet relations are quite separate subject. (UNCLASSIFIED)

B. Radio Moscow/NVI

Radio Moscow stressed need establishment Iran-Russia economic cooperations friendly relation attacked American construction military facilities and militarization Iran result participation aggressive CENTO Bloc. Said experience Russian cooperation with Afghanistan and Iraq shows economic cooperation with Afghanistan and Iraq shows economic cooperation between countries with different social regimes possible, would strengthen economy Iran; unlike western monopolists, Russia does not seek control economies cooperating countries. Iranian people expect their leaders match "practical action" already taken by Russia towards good relations.

Cited alleged details American military construction Vahdati Air Base, Dezful, extension runways Mehrabad, Isfahan, Shiraz, Abadan, Tabriz, munitions and jet aircraft facilities Khaneh. These large installations for foreigners, not needed for small Iranian Air Force; American, British jet warplanes already have landed there during maneuvers.

Ever increasing cost of living Iran due onerous military expenses; caused three-years' budgetary deficit, increased indirect taxes against laboring class, necessity obtain loans aggregating \$700 million with high interest from America. Militarization Iran main obstacle to improvement national economy.

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NVI continued attack elections. Said for centuries despot-Kings ruled without excuses, but hypocrites now ruling so weak must resort to phony talk about a constitution Majlis, elections, Nation will overthrow this "coup" government of liars. (UNCLASSIFIED)

Comment: Radio Moscow continues encourage goodwill mission by avoiding direct criticism government Iran. (OFFICIAL USE ONLY)

3. Military

A. Army.

(1) Conscription

Conscription Dept IIA announced exemption three groups conscripts born between 1937-1940; (A) Conscripts given temporary exemption on health grounds, (B) Conscripts who have brother in service, (C) Those who support kinsmen. (UNCLASSIFIED)

B. Navy; negative

C. Air Force; negative.

NOTE: * As received.

ACTION: ACSI

INFO: DCSOP, CA, OSA, JIG, OSD, AF, NAVY, STATE

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DHAHRAN SAUDI ARABIA

NR : 240430Z JOINT WEEKA 8 FEB 61
SGD WAILES

1. Political:

A. internal.

(1) Majlis opening

Majlis convened 21 Feb. Shah paraded from palace to Majlis by carriage amid elaborate ceremony and security arrangements; moderate crowds showed polite interest; threatened disturbances failed materialize. Shah's speech praised emergency political stability Iran, curtailment traitors, corrupt elements; said Iran supports UN, follows policy cooperation with all govts. Said govt will present electoral reform bill to Majlis. Endorsed better tax collection, curtailment expenditure, containment inflation.

About 15 percent Majlis seats remain to be elected including minorities, troublesome areas Khuzistan. No significant disturbances during week; university open though undetermined number students still in custody. Absenteeism high. (OFF USE ONLY).

(2) Shift in economic leadership

Appointment Ahmad Aramali as Min State for plan ORG succeeding Khosro Hedayat announced 19 Feb. Report that decision taken same occasion to dismiss Ebrahim Kashani as gov central bank not yet confirmed. Mocziefian org very low with resignation Safi Pifia, who had been in line for Min State position, and resignation other key pro-American officials distinct possibility also probably Reza Moqadam, Kashani's able deputy, would resign if Kashani dismissed. (CONFIDENTIAL)

Comment: Aramesh brother-in-law PM, former min labor and once controller plan ORG, has been author anti-American articles minor Tehran papers; reputedly highly vocal. Fight against appointment being carried on by progressive elements plan org, and decision may yet be reversed. Aramesh DA IN 87724 (25 Feb 61)

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appointment, Kashani removal, if carried out, would cause deterioration econ policy in general. Stabilization program in particular. (CONFIDENTIAL)

(3) German interest in economic aid.

PM called in Ambassador 21 Feb to solicit our views on possible German financing assistance for second seven year plan, following expression interest in this as well as third plan financing by German Del now in Tehran. PM said third plan financing from this source would obviously offer no conflict, but wished ascertain views US in relation current second plan because possibility conflict view extensive US assistance this plan. PM indicated his preference limit foreign financing remainder current plan to US aid. (CONFIDENTIAL)

Comment: Financing gap at least \$40-million remains in current plan, but Germans may have some difficulty finding qualifying projects. (CONFIDENTIAL)

(4) Cost-of-living soars.

Official cost-of-living index for month ending 21 Jan rose 2.5 percent, highest monthly rise since spring 1959, bring rise over previous year to 9.5 percent. Food prices mainly responsible for big January jump (UNCLASSIFIED)

Comment: Resumption strong upward trend after several months more moderate increases is danger signal suggesting in effectiveness stabilization measures to date. (OFFICIAL USE ONLY)

(5) New short-term financing.

Plan ORG 20 Feb received \$8-million bank of America loan repayable 30 April. Consortium same day agreed to advance \$14-million to go on tax payments due between now and 15 April. (OFFICIAL USE ONLY)

Comment: Consortium advance same as that made last quarter, but only half of GOI request. Plan ORG borrowing to pay bills due foreign contractors, but net effect will be balance of payments relief. Short term financing necessary now because failure stabilization program has blocked GOI access to drawings from IMF standby credit since December. (OFFICIAL USE ONLY)

B. Iran-Iraq

(WEEKA 6). Difficulties arising out of Iranian decision take over Abadan berthing unresolved, despite DA IN 87724 (25 FEB 61)

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visit to Basra of ex-fon min Ardalan. Iraqis reported will NG discuss issue in meeting of Foran Ministers at Abadan. No ship movements at Abadan as tanker masters decline sail in face Iraq threat blacklisting and denial river pilotage if Iranian Harbor masters utilized. Refinery cut back to 40 percent capacity Feb 22 involving daily revenue loss to GOM approximately \$170,000. (CONFIDENTIAL)

C. Iran-USSR.

Sov Amb Pegom returned Tehran Feb 22. Told newsmen all outstanding problems and differences between Iran and Soviet Union have been solved. Said he had returned from Moscow with good news and promised give details to correspondents at Feb 23 reception celebration Red Army day. (UNCLASSIFIED)

2. Psychological

A. Press

(1) Lumumba. Comment continued to blame murder of "National hero" on "Imperialist Agents." Sedaye Mardom found Hammaraskjold at fault, demanded his resignation. Setareye Tehran, though recognizing Lumumba was true nationalist with holy aim, said successful leader must control feelings and safeguard national unity through planning, being and dying a hero is not enough. Consistently anti-Soviet farman chided USSR for fishing in troubled waters, threw murder of Nagy in Soviets face. Ettelaat, which advanced this argument last week, said not enough for West to bring up Soviet atrocities; must first wash stains off own hands.

(2) Student demonstrations, etc: Flood of comment continued same themes, though this week editorials indirectly connecting Tudeh Party and national front less subtle. Ettelaat printed news story citing documents "proving conclusively" that NF and student groups infiltrated by Tudeh elements. Poste Tehran repeatedly damned NF as controlled by Communists; joined by Tolu, Sobhe Emruz, later directly attacking NF leader Baqer Kazemi as subversive. Farman, though recognizing NF leader Alahyar Saleh is better off than most newly-elected deputies, called for rejection his credentials DSDC Majlis since approval would be formal recognition of a group previously officially condemned by courts. Monday issue pro-national front elm O Zendegi suppressed entirely. (OFF USE ONLY)

(3) 20th Majlis. Inauguration new Majlis greeted by Polyanna editorials mostly ignoring question rigged elections and calling on deputies to buckle down to worthwhile

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work for nation. Shah's call for new electoral law widely hailed, some papers predicting Majlis will enact one then resign, others proclaiming this idea silly.

B. Radio Moscow:

Radio Moscow concentrated on death Lumumba with comments relating Iran; e.g., Iranian people, heroic students Tehran University know world disgust against murderers, imperialists and their puppets, while Iranian reactionaries and newspapers Etela'At, Jahan, Kayhan pretend murder reasonable. Lumumba murdered because ordered expulsion foreign monopolist thieves; Iranians well aware methods by which foreign monopolists captured Iran, including Point Four, Central Bilateral Military Agreement, loans and credits, enabling 300 American companies control country. Consortium steals Khuzistan oil netting billion-dollar annual profit. Any progress depends on rescue Iran from monopolists.

NVI said Iranians demand cancellation elections not inauguration bogus Majlis which represents appointees "coup regime" and Royal Court. Majority Iranian students, professors continue fight for freedom despite Dr. Farhad and corrupt elements university who spy for Royal Court, prepare lists of "restless" students for arrest, reply to reasonable student demands with police truncheons. (UN-CLASSIFIED).

3. Military:

A. Army:

Conscription: Dept of General Conscription announced that graduates and those holding doctorates, eligible for compulsory military service, will be drafted by drawing of lots commencing March 21. This procedure will not apply to physicians, dentists and veterinary surgeons who are already being drafted to meet annual medical cadre requirements.

B. Navy - Negative.

C. Air Force:

British radar given IIAF: On 22 Feb UK turned over to IIAF radar equipment which was being used in training status ad Doshen Tappeh for past two years. (UN-CLASSIFIED)

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Comment: This is first radar unit completely owned and operated by IIAF. Iranian personnel have operated unit successfully under UK supervision during past CENTO Air Defense Exercise. (CONFIDENTIAL)

ACTION: ACSI

INFO : DCSOP, OSA, JIG, OSD, AF, NAVY, STATE, CA

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(24 Feb 61)

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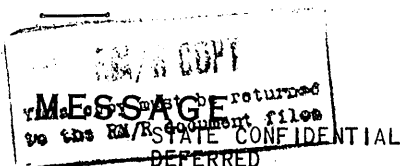
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MAR 61

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SGD WAILES

1. Internal

A. Post-election events.

Ex-PM Eqbal's personal auto burned by students Feb 23 on univ grounds. As result university closed for second time in Month. Reportedly, students will have to re-register when univ reopens. Likely most faculties now will remain closed until after No Ruz holidays ending early April.

National front leaders quit asylum Senate building Feb 23, were not arrested by authorities. Ostensible purpose of quitting asylum was to disassociate themselves from univ violence of same day.

Majlis now organizing, should begin work about March 10. Following usual resignation PM and cabinet, expected that PM Sharif-Emami will be asked form new govt. Some Ministerial changes expected. Foreign Affairs, Interior, Education portfolios most often mentioned.

Comment: Authorities undoubtedly pleased have univ closed, NF leaders out of Senate building prior commencement visit British Queen. (CONFIDENTIAL)

B. Iran-USSR.

Shah told Amb Feb 28 Pri Min would probably leave for Moscow Mar 22. Reiterated that no commitments were to be made and that he expected little would result from goodwill mission. Said further he saw no basis for Pegov's Poy statement to Tehran press on Iran-Sov relations. Felt

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Pegov's departure 2 months ago timed to coincide with increased Sov activity among students, and that he had returned only when communist sympathizers among students failed obtain desired results. (CONFIDENTIAL)

In press release printed Tehran Feb 28, Sov Foreign Ministry contradicted Feb 15 announcement by Iran gov with statement attributing initiative for visit to Iranians. (UNCLASSIFIED)

Comment: Sov action reflects pique at Iranian release of Feb 15 communique which took place after Sovs failed indicate concurrence by stated time. Related effort set record straight from Sov point of view. (OUO)

C. Ambassador's talk with Shah.

Feb 28 Shah made following points to Ambassador:

(1) CENTO and UNGA meetings - Said he delighted Secretary Rusk to attend CENTO meeting. Re UNGA he remembered our good advice not to attend last autumn's session. Said would consult with US in advance should he decide to attend. (CONFIDENTIAL).

(2) Election disturbances - Estimated only 200 communist sympathizers and 300-400 National front members among univ students. In his opinion 90 percent or more of students now ashamed, especially since burning of Eghbal's car, and not likely there will be further trouble after university reopens.

(3) US News and World report article - Criticized article by law in recent issue and denied that during his audience with author he in any way criticized Kennedy on his policies. (CONFIDENTIAL). See below for Shah's comment on Iran-USSR relations

(4) Royal visit.

Queen Elizabeth and Prince Philip arrive Tehran Mar 2 for 5-day state visit. Program includes trip to Isfahan and Shiraz. (UNCLASSIFIED).

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D. Iran-Iraq.

Amb Aram arrived Tehran for consultation bearing Iraqi note proposing discussion entire Shatt Al Arab question, with suggestion of referral to International Court of Justice if agreement cannot be reached. Aram returned Baghdad with Iranian acceptance this proposal.

In later note to Iraqis, Iran gov presented view that Iraqis would have to assume sole responsibility for any damage to shipping in Shatt resulting from their refusal provide pilotage. Suggested Abadan berthing question be resolved at technical level.

Consortium sources state short term cutbacks at Abadan refinery caused by stoppage tanker movements can be covered by higher throughput after return to normal. However, long term cutback will entail irreplaceable loss of revenue and possible repercussions in oil field production. According Fon Min, Iran prepared bear sacrifice of further curtailment Abadan production if necessary. (CONFIDENTIAL).

2. Psychological.

(1) Students. Firing Eqbal car occasioned flood comment on expected themes: Dastardly act, condoned by none, including students, which sparked by handful subversives, whom 4 papers called communist; according TOLU this proved by slogans on irrelevant issue of Lumumba. Sedaye Mardom warned students incident had caused them lose public respect. Numerous protests against closing university, though without suggesting effective substitute. Peygame Emruz used incident for triple blast at univ faculty, which "does not want students discuss topics of day", only dead subjects; "this not education but corruption of the mind." Asks how professor holding political and several other jobs outside univ dares allow self liberty of killing opinion among students. If authorities cannot handle situation without closure, should resign and let "more courageous" take over. Sedaye Mardom echoes by saying if Eqbal only a professor incident would never have happened. Major Ettelaat, commenting daily, noted its defense students had now resulted in strong criticism of paper, but continued insist student complaints genuine, necessary only weed out unruly

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JW 9

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elements and subversives, give rest good honest education on state of affairs Iran. Also noted some fault with professors, who give little time to jobs, often absent from classes, if not, minds are elsewhere. Bamshad, Peyqame Emruz opposed an illadvised requirement students sign pledge avoid political activity.

Comment: Mimeographed English-language daily news bulletin Echo voiced widespread assumption Egbal incident inspired by govt to give it excuse clamp down hard on students; protested incident could not have been sponsored by National front. Elm O Zendeji still suppressed; unconfirmed report editor Maleki arrested, probably true. Among Ettelaat twittings of students was statement press would gladly have published their views; students did take views to press, including Ettelaat, which under instruction from govt refused publish. (OUO).

(2) Congo, UN. Soviet defeat in UN marked by Ettelaat, Setareye Tehran, former noting emergency powers resolution sets precedent for future UN interference in any country's domestic affairs; though unsure of legality of this, paper opined not contrary to spirit UN charter; National sovereignty any nation does not negate UN responsibility preservation peace. Following day paper continued that UN cannot enforce will without absolute military supremacy, therefore supporting govts must contribute heavily. (UNCLASSIFIED).

(3) Majlis. Heavy comment continues. Of papers calling on Majlis to buckle down for good of country, several not convinced there much hope this session any better than before. Peyqame Emruz scores procedure of Majlis approval credentials own members as farce, with Knave joining Knave. Several papers, still approving Shah's call for new electoral law, hope Majlis will comply then resign to make way for new elections. Keyhan warned against assumption new law will solve problem. Most of trouble lies in dishonest execution of laws; either government interferes illegally to influence elections, or, if impartial, leaves field free landlords to rig locals. Warning path trod in past is "dangerous", paper says new law should not cure smaller ill ignoring bigger one.

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Comment: Cynicism widespread. Almost no sentiment new Majlis any improvement, little feeling new law will cure anything. (OUO).

(4) Day of nation. 9th Esfand, 8th anniversary popular march on palace sparked by rumor Shah leaving country almost unanimously observed by papers, chorusing people demonstrated love, devotion to monarch, determination oppose traitors opportunists.

(5) Iran-USSR. Several small papers comment hopefully. Setareye Tehran warns Iranian desire improved relations should not be interpreted as change in attitude towards communism. Farman calls for stopping anti-Iranian propaganda. Soviet statement on postponement good "ill mission published nearly complete Tues eve; no comment so far.

(6) CENTO. 7th anniversary CENTO marked by Poste Tehran and Farman recognition importance pact not only in preserving peace but in cultural and economic field too. Peyqame Emruz warned Fon Min should keep eagle eye on maverick-minded Turkey, Pakistan, lest Iran be left to shoulder burdens of pact alone.

B. Radio-Moscow-NVI.

Radio Moscow continued emphasis attacks relating imperialists to Lumumba case and economic difficulties Iran. Said among first action newly-established Asian-African countries interdependence society in Tehran was telegram by Mahmud Tafazoli (Marxist newspaperman) condemning murder Lumumba "on behalf all freedom-loving Iranians" and calling for revision organization UN to prevent imperialists' continued manipulation for own purposes. Said newspaper Sedaye Mardom called for replacement Hammerskjold by Asian.

Foreign monopolists fighting like wild animals over economic-political control Iran. 300 American, 300 British companies in Iran now joined by German, Japanese, French rivals, resulting in increased plundering. American monopolist advisors rob people of Khuzistan with Bogus projects, e.g. Lilienthal

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and Clapp promised create "paradise" pocketed major portion Iranian Khuzistan-development credits for fruitless projects; newspaper Dad said they defrauded the people.

NVI said elections revealed way to victory over "coup regime" is formation alliance anti-government groups in a United Nationalist front. Pahlavi Royal Court realizes danger, seeks prevent cooperation among Nationalist forces. (UNCLASSIFIED).

3. Military

- A. Army - Negative.
- B. Navy - Negative.
- C. Air Force -- Negative.

ACTION: ACSI

INFO : DCSOP, CA, OSA, JIG, OSD, AF, NAVY, STATE

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TO : DA, CINCUSAREUR HEIDELBERG GERMANY, US DIV ENGR MED
DIV LEGHORN ITALY, USCINCEUR, USDOCOSOUTH NAPLES
ITALY, COMFAIRELM, USAF LINDSEY AS GERMANY, COMDR
17 AF GERMANY, COMDR 2ND ADIV DHAHRAN SAUDI ARABIA,
CINCNELM

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JW 18

MAR 61

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SGD WAILES

1. Political - Internal

A. Election aftermath.

Tabriz Univ closed Mar 5 following student threat of strike to show sympathy with Tehran Univ students. Meshed Univ students held peaceful sympathy demonstration March 4. Univ there remains open but classes have stopped. In Tehran re-election at Univ underway and newspapers report remaining detained students may be released soon. Nevertheless chances of Univ returning to full operation this term appear slim. (OFFICIAL USE ONLY).

Early Majlis sessions uneventful. Govt expected resign soon with indications that PM Sharif-Emami will be asked form new govt, several Ministerial changes expected. (OFFICIAL USE ONLY)

Comment: Continuing student disaffection remains to trouble regime. By releasing students, govt would remove some of the difficulty. In general tension appears have subsided greatly. It is believed that for time being opposition plans concentrate on propaganda, especially Majlis speeches Alayar Saleh. (CONFIDENTIAL)

B. New import credit restrictions

Central Bank March 5 issued instructions further restricting import credits effective March 21, allows only 13 categories "productive and very essential goods" to be imported under foreign supplier credits, requires importers Open Letter of Credit for all other imports, raises cash deposit requirements for Letters of Credit to amounts varying according to type of goods. (UNCLAS).

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Comment: Move designed primarily to curtail import non-essential goods via European suppliers' credits. Probably no great after effect on imports from U.S., which usually processed on Letter of Credit basis. (UNCLASSIFIED).

C. Iran-USSR

PM informed Amb several differences in viewpoint have arisen re Moscow visit. Sovs now insisting on preparation ~~Communist~~ ^{***might} after discussion completed in Moscow, whereas Iranians still insist they will not ~~like~~ visit without communique approved prior departure from Tehran. Timing also in question as Sovs suggest latter half of April when PM wishes attend CENTO meeting. (SECRET).

D. Iran-Iraq

Stoppage of shipping at Abadan continues. Swedish Amb has informed Iraqis of indication that Iranians are willing have harbor master of both countries aboard ships berthing at Abadan at least temporarily. AmConsul Khorramshahr reports there is some hope of technical meeting between respective port authorities but has indicated Iraq expect situation might continue for some time. (CONFIDENTIAL).

Refinery still operating at 40 percent capacity, involving revenue loss \$170 thousand daily. Consortium advises maximum through-put allowed by possible diversion more fuel oil through pipeline to Bandar Mashur would still leave operations only 50 percent capacity with daily loss \$140 thousand. (OFFICIAL USE ONLY).

Comment: Appears GOI has LOY \$3-million to date and this will be irreplaceable unless full operations can be restored soon. (OFFICIAL USE ONLY).

E. Iran-UK

Tehran, Isfahan, Shiraz cordially welcomed visit of Queen Elizabeth and Shah set tone by affirming traditional ties of friendship between Iran and UK. Queen responded with tribute to historical Iranian monarchy, confirmed importance continuing cooperation.

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2. Psychological

A. Press

(1) Press holiday. Owing important religious holiday, dailies suspended publication two or three days. Except for Visit British monarch, comment scanty.

(2) Anti-election activities. Three papers heatedly condemn dastardly attack on Eqbal (WEEKA 9). Weeklies Omide Igon and Khandaniha, however, note car burning expressed student discontent with ruling class in general, latter saying "flames which burned Eqbal's car are flames of people's fury." National front issued broadside replying to press accusations of communist-infiltrated, accused Elaat, Kayhan of refusing to publish rebuttal. XTB *** 25 arrest of Khalilhialeki, editor Elm O Zendegi, confirmed, and this isper and dad *** (WEEKA 6) so far still suppressed.

(3) Majlis. Comment light. Kcsetareye*** Tehran mocks speaker Hekmat's statement to Majlis that "people expect much of us," saying people expect nothing. Collusion of parties to obtain seats has destroyed two-party system "by which alone are people's rights safeguarded and reforms made." Peyqame Emruz asks Majlis where it is going, opines answer as usual will be silence, as Majlis will never wake up.

(4) Queen's visit. Royal couple dominated press for several days, with papers printing fat special editions stuffed with feature articles presumably furnished by British Embassy. Voluminous comment hailed friendly relations, further cemented by visit. Numerous papers, however did not refrain from noting relations were not always so. Elaat, for example, noted British influence on Iran so deep that weakling govts took orders from British Embassy errand boys and when late Shah rendered invaluable service by shaking influence off people for long time couldn't believe it gone blamed nearly every conceivable development on it. Present friendly relations result drastic change British policies since last war.

(5) U. S. policy. Daily comment in Ettlelaat: U. S. unrival military, economic supremacy thing of past; Kennedy Administration thus making changes. Can no longer support a regime, even though correct, merely because anti-communist. In UN, U. S. supporting Afro-Asian group; shift to neutral group

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does not mean abandonment allies, but is necessity otherwise U. S. left in minority. Kennedy correcting mistake U. S. made, which USSR did not, of sacrificing conventional military forces to atomic bomb. Contrary to Kennedy accusations, under Eisenhower U. S. went from nothing to highly developed rocket systems, including accurate solid fuel ICBM's which have made possible changes in U. S. overseas bases policy.

B. Radio Mosco - NVI

Radio Moscow adopted a truncular tone to remind Iran gov strained relations not Russia's fault. Iranian authorities refused sign 1959 Friendship Agreement they themselves proposed, preferring allegedly defensive bilateral military agreement with U. S. ; American militarist circles do not hide actual aggressive nature agreement; this indicates the "then government" Iran wished show outward interest discussions with Russia to quiet public opinion, obtain more American aid. Does Iran gov really want discussion to improve relations? To date has not matched Russia's Sindre acts except by action toward goodwill mission Moscow. Meanwhile, "must frankly state" military cooperation with aggressive circles of western govts not consistent with betterment Russia-Iran relations.

Also discussed worsening inflation, "caused by activity foreign monopolists in Iran." Said magazine Mosavar writes 1000 foreign companies remove hundreds of millions dollars annually from Iran. Foreign imposed consortium officially admits net profit \$1 billion 1954-59, actual income obviously more. Real purpose American dollars flooding into Iran is 3-5 percent interest plus great profit for American monopolists; money used for roads, airports, ~~Seaports~~, instead of large factories needed by Iran; former SECSTATE Acheson admitted American does not want factories in underdeveloped countries.

NVI urged Iranian nation worker dissolution bogus 20th Majlis. 85 percent people Tehran boycotted recent elections in accordance Feb 1 National Front Resolution, proves by 20,000 NF supporters. (Unclassified)

3. Military

- A. Army - negative
- B. Navy - negative
- C. Air Force - negative

ACTION: ACSI

INFO: DCSOP, CA, OSA, JIG, OSD, AF, NAVY, STATE

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Correct page 2 lines 7 - 10 as follows:

Sovs now insisting on preparation communique after
discussions completed in Moscow, whereas Iranians still insist
they will not make visit without communique approved prior
departure from Tehran.

NOTE: Corrections underlined

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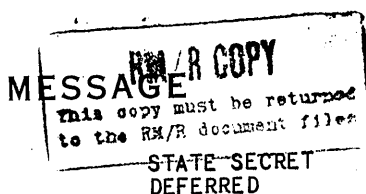
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NAPLES ITALY, COMFAIRELM, USAF LINDSEY AS GERMANY,
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ARABIA

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JW 11

MAR 61

SGD WAILES

1. Political

A. Internal

(1) New Govt

Govt resigned Mar 11. PM Sharif-Emami immediately announced Cabinet with new Ministers for Interior, Finance, Foreign Affairs, War, Justice, Health, Education. Jahanshah Saleh switched from Health to Education. Ex-Gendarmerie Commander Gen Amir-Azizi new Min Interior; long-time economic official Abdol Baqi Shoai new Min Finance; Hosein Qods-Nakhai, ex-Amb to London, new Foreign Min. Cabinet presented to Majlis Mar 12, approved Mar 14. (UNCLASSIFIED).

Govt's announced program largely a re-statement of goals of previous govt. Stressed need for strict economic stabilization measures, continued econ development with emphasis on agriculture, basic production. On political side program promised new electoral legislation, social progress. In foreign affairs restated Iran's desire have friendly relations all countries. Said Iran hoped for better relations with USSR, Iran. Expressed appreciation for U.S. assistance and support. (OFFICIAL USE ONLY).

Comment: Most significant Ministerial changes are in Interior and Finance. Amir-Azizi gained good reputation while with Gendarmerie, replaces highly tainted but influential Gen Alavi-Moqadam. Shoai, although largely unknown quantity, expected be improvement over obstructionist Zargam. Overall impression given by new govt, however, is

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that it even more a govt of technicians than predecessor, probably will last only few months. (CONFIDENTIAL).

(2) Changes in Security Apparatus

Changes in leadership of principal security organizations announced Mar 15, with Generals Bakhtiar, Hedayat, Kia replaced as Chiefs of Savak, Supreme Commander's Staff and J-2, SCS, respectively. Changes reportedly made personally by Shah in his capacity of Commander-in-Chief, followed closely on heels of removal of ex-Minister of Interior Gen Alavi-Moqadam. Further military changes rumored. (See Item 3A).

Comment: Removal of Generals Bakhtiar, Alavi-Moqadam, Hedayat, and Kia constitutes a major shakeup in the regime's security apparatus and amounts to at least temporary diminution of influence of what generally acknowledged to have been the four top Iranian military figures. Some indication, however, that Bakhtiar's withdrawal from unpopular Savak job may be prelude to return to official life in some other capacity. In any case, his resignation was voluntary. Hedayat appointed Senator.

Political reasons for Shah's action unknown, but one may have been attempt to give regime better appearance at this important juncture of Iran-U.S. and Iran-Soviet relations. Public identifies Alavi-Moqadam, Kia and Bakhtiar with election rigging, despite fact last named inactive during most recent elections. In any event, general short-range effect of changes on Shah's public position should be beneficial. (CONFIDENTIAL).

(3) Post Election Events

Mar 14 National Front Deputy Alayar Saleh made speech in Majlis opposing approval new govt on ground recent election rigging showed Sharif-Emami unfit lead country. In colorful language reviewed election events as seen by NF, stressing student strike, "closing" of Bazaar, Senate asylum, police "brutality" and arrests. Saleh heckled severely of pro-govt Deputies, speech interrupted frequently by shouting, banging of desks, sarcastic questions. (OFFICIAL USE ONLY).

AmCon Isfahan reports violence occurred Mar 10 in Borujen among townspeople, Bakhtiar tribesmen, security forces as result of objections by townspeople to election Bakhtiar Majlis candidate. Fracas reportedly resulted

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in some deaths, several wounded, damage to buildings. Mar 10
110 IIA troops sent to scene from Isfahan. About 150 gen-
darmes sent Mar 11 following request for additional assistance.
(CONFIDENTIAL).

Comment: Saleh's speech first use made of his
position in Majlis for attacking govt, keeping NF before pub-
lic. Fact that speech, as well as heckling, reported fully
in press indicates govt for time being intends give him free
rein, perhaps in hope he may overstep himself. (CONF).

(4) 1340 Budget Delayed

New Finance Min Shoai introduced bill
14 March to authorize govt expenditures first month 1340
(beginning 21 March) at one-twelfth rate of 1339 appropri-
ations. Said would make every effort present full 1340 bud-
get to Majlis before end current year. (UNCLASS).

Comment: This procedure frequently used in
past years when budget delayed. Shoai says he submitted bud-
get to Shah 15 March after extensive revisions, but no de-
tails yet available. (OFFICIAL USE ONLY).

(5) Consortium Visit

Representatives of Oil Consortium Member
Companies held annual meeting in Teheran. Customary dis-
cussions were held with Min Finance and RIOC re Operation of
Oil Agreement. (UNCLASS).

Comment: Discussions reportedly held in
friendly atmosphere and mutual agreement reached on a number
of outstanding matters. Iranians pressed usual themes higher
production, revenues but did not raise questions affecting
basic agreement. Group member company reps scheduled have
audience with Shah 15 March. (OFFICIAL USE ONLY).

B. External

(1) Iran-US

Harriman visit. Ambassador-at-Large
Harriman arrived Mar 13, had lunch and 6-hour conversation
with Shah. Mar 14 conferred with PriMin, held press confer-
ence, appeared on television, departed for New Delhi. Dis-
cussion with Shah was frank, Shah appeared impressed and

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pleased by Harriman's excellent presentation new administration's position. Shah stated he hoped a majority party would develop in Majlis, enabling present Cabinet of technicians to be made more political, more responsible to Majlis. (CONFIDENTIAL).

Comment: Visit appears to have provided needed reassurance continued US support for Iran govt. Popular interest in visit moderate. (CONFIDENTIAL).

(2) Iran-USSR

PriMin told Majlis there are signs of improvement in Iran-Sov relations and said it is hoped intended goodwill mission will bring atmosphere of trust to replace misunderstandings which had darkened relations for short time. (UNCLASSIFIED).

Emb now informed goodwill mission will not proceed USSR until May. (WEEK 10). (CONFIDENTIAL).

(3) Iran-Iraq

In Majlis address PriMin referred to long-standing dispute with Iraq and announced agreement had been reached to solve all outstanding differences through negotiation. (UNCLASS).

FonMin under Secty informed Emb Iran would not retreat from position on Abadan berthing issue and did not regard this as subject for discussion in general talks scheduled with Iraqis. Also said he had impression that Iraq believed Iran stood to lose most from present impasse, consequently was in no hurry to reach agreement on General Shatt problem. Also mentioned Iranian dissatisfaction with Consortium for not acting vigorously enough in defense Iranian position. Further expressed some uneasiness that British may favor Iraq in the dispute. (SECRET).

Current losses to GOI from refinery cutback alone estimated at \$150,000 per day, which not yet compensated by increased exports crude. (OFFICIAL USE ONLY).

Comment: Consortium bending every effort maximize refinery output under conditions imposed by Dislate and to provide NIV with products required by Iranian economy. (OUO).

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2. Psychological

A. Press

(1) Harriman Visit; U.S. Policy

Heavy comment, all friendly. Most papers expressed gratitude American aid. Nearly all papers remarked on Harriman's earlier visit, noting he had been well acquainted with Iran, able to measure great progress made in past 9 years, hoped he would report this to Kennedy. Several papers pleased at compliment to Shah, Iran, in visit Kennedy personal envoy. Only three papers demanded more aid insignificant compared with that given Pakistan, Turkey. Peyqame Emruz, which regularly blasts Consortium, advised Harriman to persuade American oil companies give Iran its due, then Iran would need no aid.

Several other comments on U.S. policy. Farman hoped new predictions policy ranges would result more aid are true. Ettelaat said two principal causes "failure" U.S. Aid Program were its short-term nature, and fact directed against communism; opined new administration would change this policy; called attention to Pakistan acceptance Russian aid, implying the result Pakistan discontent U.S. granting greater aid to neutrals than allies. Again criticized Eisenhower administration neglect of conventional forces.

(2) New Government

Abundant comment mostly noncommittal, faintly hopeful. Several papers applaud PM's presentation of program but note other pretty plans of past which were not executed, challenge PM to produce. Sedaye Mardom rejoices over appointment new Interior Minister, saying old Minister did not survive to see Majlis, he interfered so hard to get elected. Secretary Eshran says new govt's task difficult because officials indifferent to hunger, injustice, ignore people's rights. Keyhan, noting new govt non-party, says it not unhappy with this since Iran's parties nothing but joke.

B. Radio Moscow - NVI

Radio Moscow urged Iran adopt policy neutrality, refrain from participation aggressive military, political blocs run by imperialists. Said neutrality would be fruitful for Iran as it has been for republics India, UAR, Iraq and Monarchy Afghanistan, would strengthen economic independence Iran, free country from back-breaking military expense, improve living conditions. In past few years Iran spent

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\$700 million for military purposes which could have been used for 7-year plan projects; present rate of unproductive military expenses enough to build a steel mill or 10 power plants each year.

NVI continued to voice support for Univ Teheran students, called for all nationalist forces to join in demanding dictator government stop oppressing students. Also echoed Radio Moscow attacks on CENTO, gave first comment Harriman visit; said visit, made at personal request Shah, ended unsuccessfully with Harriman press conference statement that although he became familiar with Shah's views he could not promise economic and military aid to "coup regime".

3. Military

A. Army

(1) Officer Reassignments

Gen Abdollah Hedayat, Chief SCS, abruptly retired 14 Mar, appointed to Senate. Lt Gen Abdol Hossein Hejazi, Chief Ground Forces, appointed Chief SCS. Lt Gen Reza Azimi, Deputy Ground Forces, to Chief GF. Lt Gen Haji Ali Kia removed as J-2, replaced by Lt Gen Azizollah Kamal, CG III Corps. Kia reportedly submitted resignation from Army but not accepted by Shah. Lt Gen Ali Asghar Naghdi (retired) appointed Minister War vice Lt Gen Vosuq. Lt Gen Sadeq Aziai, CG Gendarmerie, to Minister Interior vice Lt Gen Mehdi Qoli Alavi-Moghadam. Reportedly Moghadam may be Ambassador to Spain or Turkey. Maj Gen Mozafar Malek, Deputy CG Gendarmerie, to Chief Gendarmerie. Lt Gen Teimur Bakhtiar, Chief Savak, resigned post, reportedly due poor health, but remained in service. Brig Gen Hassan Pakravan, Deputy Chief Savak, to Chief Savak. Maj Gen Ali Akbar Zarbam removed as Minister Finance. Reportedly Maj Gen Feridun Kusheshi, J-3 SCS, to be assigned CG 3d Div vice Maj Gen Habibollah Mir-jahangiri, assigned CG III Corps. (CONFIDENTIAL).

Comment: Military significance these moves unclear, though 1 of Shah's reasons may be desire improve quality IIA. Removal Bakhtiar, Kia, Alavi-Moghadam and Hedayat apparently dissolves important military power structure. Other key officers appear worried and fear their positions insecure. (CONFIDENTIAL).

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(18 Mar 61)

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JW 11

PAGE 7

B. Navy

Negative

C. Air Force

Negative

ACTION: ACS1

INFO: DCSOP, OSA, JIG, CA, OSD, AF, NAVY, STATE

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FROM: SANA TEHRAN IRAN

TO: DA, CINCUSAREUR HEIDELBERG GERMANY, US DIV ENGR MED
DIV LEGHORN ITALY, USCINCEUR, CINCNELM, USDOCOSOUTH
NAPLES ITALY, COMFAIRELM, USAF LINDSEY AS GERMANY,
COMDR 17AF GERMANY, COMDR 2ND ADIV DHAHRAN SAUDI
ARABIA

NR: 231000Z

JW 12

MAR 61

STATE CONFIDENTIAL

SGD WAILES

1. Political

A. Internal

(1) Iranian new year. No Ruz holidays began
Mar 21, will continue thru Apr 2. Govt offices closed, many
officials out of town, most business, politics, press activity
near standstill. (UNCLASSIFIED)

(2) Tenth anniversary nationalization oil
industry anniversary marked by three day program events Mar
18-20. Included "birthday" reception by NIOC; audience by Shah
to receive progress report by NIOC and decorate NIOC employees;
visits newsmen to oil field program accompanied by newspaper,
TV, radio publicity and photographic displays. (UNCLAS)
Comment: Emphasis was placed on achievements NIOC
past 10 years and was not occasion for stirring up old contro-
versy oil nationalization. (CONFIDENTIAL).

B. External

(1) Iran-Iraq. In conference for press
and radio Mar 18, Ali Moqadam, Director Ports and Navigation,
made public Iranian position on Abadan dispute. Emphasized
Iranian sovereignty and internal nature of question, deplored
lack of Iraqi goodwill and co-operation in refusing pilotage
and declared any agreement under which Iraq had participated
in operation Abadan Port was without consent of Iran Gov and
therefore invalid. (UNCLASS)

In letter from PriMin to Consortium Iran
Gov stated its intention hold Consortium responsible for all
revenue losses resulting from present tie-up at Abadan. (CONF)

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(24 MAR 61)

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Comment: Prior Moqadam's press conference Govt had carefully refrained from attracting attention to this issue. Tie-up at Abadan was 30 days old when Govt acted make its case public. (OFFICIAL USE ONLY)

Fact that Iran Gov holds Consortium responsible for losses arising from curtailment Abadan throughout raises difficult problem for Consortium and could result in development major controversy between Consortium and Govt. (CONF)

2. Psychological.

A. Press

1. Harriman. Khandaniha, noting Harriman had met with PM, Court Minister, Shah, but not with opposition elements, said this explains his optimism about Iran. If he had got off high horse and walked with ordinary people he would have seen different picture. Joined by diplomat in criticizing Harriman for asking Ambassador Wailes to interpret questions asked in plain English, or translated. Diplomat claimed Harriman angrily brushed off question about whether he had discussed neutrality with Shah.

2. Peace Corps. Only comment to date in tiny weekly Tehjne Ma, which non-committally noted whether Corps promoted international understanding depended on how volunteers fulfilled duties under strange conditions.

3. US Foreign Policy. Kennedy Plan for Latin American and his expectations it will favor democracy as against dictatorship used as take-off point for attack by Kayhan on political conditions Iran with U.S. Foreign policy as whipping boy. Says U.S. interprets democracy as anything not Communist, even though harshest feudal dictatorship. This just as erroneous as USSR identification Communism with Democracy, even though entire populace in shackles. "Strangely some Americans consider their Gov' freedom-loving, but Communism not to be fought by crushing freedom, strengthening dictatorships. If U.S. true enemy of Communism, will check it by strengthening foundations of Democracy.

4. Dhahran. Ettelaat said in view of evacuation Moroccan bases, Dhahran cancellation not surprising. Resulted from wave of neutrality which has inundated Asia, African Latin America, under which conditions air base clouded Saudi Arabian

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relations other Arab countries. Cancellation called U.S. attention again to facts of life: Must decrease dependency upon land bases. Paper noted cancellation political decision, which not expected disturb friendly relations with U.S.; in fact, should enable Arabia to help strengthen U.S. relations other Arab nations.

5. Majlis. Scant comment mostly critical. Khandaniha noting members got into Majlis through "force, money and women," asks National Fronter Saleh why he bothers opposing Govt in Majlis; makes no sense, since people thoroughly indifferent Majlis. Farman, asks Saleh to shut up so legitimate objections can be raised without fear of condemnation by association. Sedaye Mardom, noting "yes-man" behavior of Majlis, complains newspapers also expected call black white, white black, making journalist object public contempt.

6. Inflation. Becuase of custom of buying new clothes at No. Ruz, Keyhan says holiday turned from one of merriment to one of fear. Reason: Price increases. PGAR nation pants under burden, while just expecting further burdens. When will this rise stop? God only knows. Keyhan has lost count of Govts which have promised action, done nothing. (UNCLASS)

B. Radio Moscow-NVI

Both celebrated 10th anniversary oil nationalization law by attacking Consortium. Radio Moscow said nationalization, won by valiant struggles Iranian people, first attacked by US, England by threatening notes, military maneuvers around frontiers Iran, economic pressure, then execution "coup d'etat" and imposition enslaving oil agreement. Thus Iran, which once faced only British Imperialism, now also robbed collectively by American, French monopolists; people demand they stop stealing national wealth Iran.

NVI said nationalization important victory for nation, but Imperialists expanded resistance, achieved temporary defeat nationalist forces: Today nationalization law exists only on paper, Consortium which worse than former oil company rules Khuzistan. Imperialists mobilized

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PAGE 4

Royal Court, Bogus Parliament, reactionary high-ranking Army officers, American advisors, press, knifers, even prostitutes while nationalists forces failed unite against them. Power to defeat enemy lies in alliance nationalist forces; those allege anti-Imperialists who oppose such alliance nullify any claim to be Nationalists.

3. Military

A. Army-negative; Navy-

negative; Air Force-negative.

ACTION: ACSI

INFO : DCSOP, CA, OSA, JIG, OSD, AF, NAVY, STATE

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DIV LEGHORN ITALY, USCINCEUR, CINCNELM, USDOCOSOUTH
NAPLES ITALY, COMFAIRELM, USAF LINDSEY AS GERMANY,
17AF RAMSTEIN AB GERMANY, COMDR 2D AIR DIV DHAHRAN
SAUDI ARABIA

NR : 301040Z JOINT WEEKA 13 MAR 61

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SIGNED WAILES
I. POLITICAL

A. Internal

1. Borujerdi dies: Ayatollah Seyed Hosein
Tabatabai Borujerdi, Chief Shia Cleric and most important re-
ligious personality in Iran died March 30. Three day mourning
period declared. (UNCLASSIFIED)

2. 1340 import regulations: New lists, effec-
tive 26 March contain numerous new prohibitions, many new or
increased import taxes, some changes to protect domestic
industries. (UNCLASSIFIED)

Expected prohibition certain types tires
and tubes to protect new Goodrich factory not included but may
come as amendment later in year. (OFFICIAL USE ONLY)

Comment: Most items prohibited or subject
to much higher taxes are luxuries or comparatively minor import
value; Emb believes effect on imports from US minor. (UNCLASSI-
FIED)

3. Living costs continue sharp rise. (WEEK 8)
Cost of living in month ending 19 Feb 2 percent, second month of
sharp rise, brought rise over past year to 10.9 percent (UNCLASSI-
FIED)

Comment: Dangerous inflationary trend
continues in spite current stabilization efforts. (OFFICIAL
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B. External

1. Iran-Iraq: Iranian delegation attended ground-breaking ceremonies for new Iraqi port at Umm Qasr Mar 26 and was well received by Iraqi officials.

Amb Iran returned Tehran for consultation Mar 26. (UNCLASSIFIED)

IORC directors Abadan were informed Mar 27 of consortium reply to Pri Min's letter holding consortium responsible for financial losses incurred as result of shipping tie-up at Abadan (WEEKA 12). Reply rejected Iranian claim. NIOC representative commented that govt officials shared view that major consortium participants BP and shell had failed exert all possible pressure on Iraq for settlement Abadan impasse. In talk with Iranian port director, AmConsul Khorramshahr learned Iran Gov considering retaliatory action against Iraq if latter continues maintain adamant stand on berthing issue. (CONFIDENTIAL)

2. PSYCHOLOGICAL

A. Press

1. Press Holiday. Though major dailies resumed publication Sunday, remainder of newspapers still in grip of New Year's holiday, full resumption expected next week.

2. Laos. In two editorials, Ettelaat said crisis in Laos more threatening than Congo, since Communist domination direct possibility. Noted recent Kennedy warning re Laos, born of recognition bitter political and military facts, was no bluff.

3. Kennedy. Small monthly magazine Kavesh cited at length from Kennedy inaugural address, claimed it, like Gettysburg address, would "shine for many years like star in sky of American policy and literature."

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PAGE 3

4. Corruption at the top. In special No Ruz issue semi-weekly magazine Khandaniha printed not disrespectful open letter to Shah claiming he surrounded by hypocrites who hide truth about Iran from Shah, and who excuse errors they make as done to fill Shah's desires. These elements, including top govt officials, spread rumors about Shah - including one that he is selling royal palaces and converting to dollars outside Iran - to enable themselves to loot national resources. When top official removed from job, he just gets another important position. People come to feel all top officials birds of a feather. Since people are simple folk, they believe these rumors, great gulf becomes fixed between Shah and subjects. Called on Shah to surround self with capable, honest men.

At No Ruz Ksalaam Shah indirectly answered editorial by indicating belief that "certain rumors", about which he did not wish be specific, would be disregarded. Editor claims to have information from court official that Shah read editorial and discussed with him. Plans to publish public reactions to editorial Saturday, but suspects Savak may confiscate or prevent publication (OFFICIAL USE ONLY)

Comment: Editorial wisely ignored whole problem of corruption among members of Shah's family (CONFIDENTIAL)

B. Radio Moscow - NVI

Radio Moscow said Harriman's Iran visit is attempt prevent normalization Iran-Russia relations like his previous visit. His talks with Iran Gov unsuccessful since MidEast policy new Kennedy Govt still undetermined. Harriman statement that US does not intend interfere in domestic affairs other countries is departure from bankrupt Eisenhower Doctrine, indicates US doubts re obligations defend existing regimes; MidEast reactionaries disheartened.

Reactionaries hide fact former neutrality policy Iran saved its soil from becoming battleground; return to neutrality best policy for a country with 2500 kilometer Russian border. Cento, bilateral agreement cost Iran too much; US Congress publication states foreign countries spend 100 dollars for mil purposes for every dollar US gives; post-

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World War II mil expenditures Iran could have irrigated 30 million hectares land, built 3 million new houses. 60 percent of US "aid" used for military construction, armament, rest given to US mil advisors invading Iran like locusts.

NVI said during No Ruz "coup regime" bargain with Harriman for dollar aims but his visit did not solve their problem, leaders worried.

"Coup regime" continues anti-national economic policies under instructions its alien creators, who mobilized royal court rogues with \$5-million checks in 28th Mordad coup; great concessions enable West Germany, US, England, Japan plunder Iran's foreign exchange, prevent industrialization. Only a nationalist regime will preserve Iran interests in foreign trade, domestic and foreign policy (UNCLASSIFIED)

3. MILITARY

A. Army

1. Retirements. Reliable reported but as yet unconfirmed that estimated 40 senior IIA officers scheduled to retire near future. Following officers included on list reportedly have already retired: Gen Abdollah Hedayat, Chief SCS; Lt Gens Haji Ali Kia, J-2; Teimur Bakhtiar, Chief SAVAK; Karim Varahram, unassigned; Hossein Azmudeh, Chief Justice Dept; Mehdi Gholi Alavi-Moghadam, Minister of Interior; Abdol Majid Nasrollahi, CG IV Corps; Morteza Zahedi, Mil Asst to Min War; Ahmad Vossough, Min War; Ghahar Gholi Shahrokhshahi, Comdt Mil SNF College; Maj Gen Yadollah Keihan-Khadiv, Prosecutor General; Brig Gen Rahabali Hamasn J-2 section, SCS. Other rumored retirements include Lt Gen Mohamad Taghi Majidi, CG, I Corps; Maj Gen Amir Gholi Zargham, CG II Corps; Lt Gen Rostam Nozari, CG V Corps; Maj Gen Ali Mohamad Ruhani, CG, VI Corps. (CONFIDENTIAL)

B. Navy - Negative

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C. Air Force

1. Quickspan II. Quickspan II scheduled demonstrate in Tehran 17 May 61. Date adjusted permit Shah be present. Previous date 22 May 61 conflicted his state visit Norway. Force will include 21 C-130's, 3 KB-50s, 4 F-105s, 4 F-100Gs, 4 F-100Fs, 3 RF-101s and 1 SC-54, total 39 aircraft. US Army will deploy 18 officers and 267 EM for total 285 airborne. Tactical Air Cmd will deploy 126 officers and 237 airmen for total 363. Those plus movie team, press civilians, rescue crew and combat control team will deploy to Tehran with grand total 681 personnel. (SECRET)

ACTION: ACSI

INFO : DCSOP, CA, OSA, JIG, OSD, AF, NAVY, STATE

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LEGHORN ITALY, USCINCEUR, CINCNELM, USDOCOSOUTH,
COMFAIRELM, USAFE LINDSEY AS GERMANY, COMJ 17TH AF
GERMANY, COMDR 2ND ADIV DHAHRAN SAUDI ARABIA

NR: 061200Z

JW 14

APR 61

STATE SECRET

SGD WAILES.

1. Political

A. Internal

1. 1340 budget. (Week 11) full year's budget introduced before no RUZ recess shows revenues 37.1 billion rials, expenditure 35.2 billion rials, surplus 1.9 billion rials. Most agencies held to 1339 expenditure levels, many construction appropriations dropped. Largest increases are for Min War (4.9 percent) and Min Education (6.3 percent, all for teachers' salary rise). Only new revenue item school tuition to cover Min Education increase. Budget note allows extra defense expenditure up to 2.2 billion rials (\$29.5-million) if extra revenues accrue. (OUO)

Comment: Surplus close to figure (2 billion rials) set by stabilization program for net debt retirement, but emb understands budget makes no provisions for agreed transfer 750 million rials to plan org. Note on extra defense expenditure covers possibility U.S. aid. (OUO)

B. External

1. Iran-USSR. Goodwill mission (Week 11). UnderSecy FonMin informed Embassy Shah has overruled PM Sharif-Emami's wish postpone Iranian goodwill mission until late June. Said mission now due go USSR May 4 or 5. Shah reportedly concerned at Soviet complaints of Iranian delays and wishes mission proceed before he leaves about May 17 for State visit Norway and European tour. (S)

2. Iran-Iraq. Amb Aram returned Baghdad with new instructions to effect that Iran now agrees Abadan Berthing question can be discussed as part of general conversations on Shatt-Al-Arab. Iranians envisage arming committee of technicians

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JW 14

PAGE 2

as Iranians originally proposed for settlement Abadan issue, and are suggesting adoption several temporary arrangements pending outcome. Aram expects see PM Qassem Apr 5 or 6. (C)

2. Psychological

A. Press

1. Laos: Ettelaat praised Russians for responsible behavior in response to Kennedy's wise change of policy, both parties showing prudence. Said acceptance responsibility by two big powers means local interests Red China no longer decisive factor. Azhang criticized Kennedy for delaying action till crisis had arisen, saying if U. S. had accepted Laotian neutrality from beginning trouble could have been avoided. Two weekly magazines commented, Sepid O Shah claiming that Kennedy announcement, by demonstrating U. S. determination to intervene if necessary, would prevent another Korean situation, while Omide Iran said if U. S. intervened, Red China would not sit idly by, and another Korea would be inevitable result. (U)

Comment: Despite light comment, Laotian developments recognized as a top story, with front page coverage (U).

2. Corruption (Week 13). Khandaniha suffered no bad consequences of last week's open letter to Shah, appearing on schedule. Claimed offices had been inundated with approbatory letters, many expressing astonishment editor dared publish such accusations, saying he would not have dared without prior approval by Shah. Khandaniha followed up on theme by printing translation alleged confession Emperor Caligula to Iranian envoy describing how he had been separated from people by flattering Courtiers. Meanwhile, three other small papers joined chorus, repeating old themes of corruption in high places, disregard of people's needs. Peyqame Emruz noted rumor of upcoming bloodless coup d'etat, saying such rumors prove, if nothing else, great public desire for change. Only diplomat mentioned Shah, saying only Shah should break with ruling class, get close to people, "as he tried to do at beginning of his reign".

3. Minister of Finance. Keyhan bridled at rumors of great changes being made by new minister. Praising

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JW 14

PAGE 3

former Minister for many beneficial acts, paper said it is bad habit of Iranians to insist on undoing everything done by predecessors, result of which is nothing is accomplished.

Comment: Virtually no public awareness of obstructionist role played by former MinFin General Zargham in stabilization program (C)

4. Press suppression. Editor of Elm O Zendegi released from jail in time for New Year's but paper still suspended. As is DAD. (Weekas 6, 10) (OUO)

B. Radio Moscow-N. V. I.

Radio Moscow continued concentrate attacks on CENTO, Iran-US bilateral agreement, continued blame them for all economic ills Iran; re-hash of recent polemic phraseology.

NVI also blasted CENTO; added that US Senators worried over neutralist trend Turkey, Pakistan despite vast expenditures US dollars those countries. Senators lament changed attitude formerly "trustworthy" rule Ayub Khan who now takes aid from anybody as long as no strings attached.

NVI crocodile tears over death Ayatollah Borujerdi, saying he always resisted foes of religion, country, was enemy of "coup regime". Said Royal Court Newspaper such as Jahan insulted Ayatollah for refusing defend Shah's "anti-national" policy; Royal Court very happy today while pretending mourn for him. (U)

3. Military

A. Army

1. Reassignments. Maj Gen Feridun Kusheshi, Chief J-3 SCS, to CG III Corps, Vice LtGen Azizollah Kamal new J-2 SCS; Maj Gen Ezatollah Zarghami, 2d Deputy CG Ground Forces, to Deputy CG, GF, Vice Lt. GF Reza Azimi, new CG, GF. Press reports Brig Gen Gholam Ali Ovesi, CG Imperial Guard appointed Adjutant to Shah. (U)

Comment: Ovesi appointment considered honorary position, not reassignment. (U)

B. Navy

1. USS Strong DD-758 visited Kharg Island

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28-30 March. Visit successful. (U)

C. Air Force-negative.

ACTION: ACSI

INFO: DCSOP, CA, OSA, JIG, OSD, AF, NAVY, STATE

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DIV LEGHORN ITALY, USCINCEUR, CINCNELM, USDOCOSOUTH,
COMFAIRELM, USAF LINDSEY AS GERMANY, COMDR 17TH AF
GERMANY, COMDR 2ND ADIV DHAHRAN SAUDI ARABIA

NR: 151400Z

JW-15

APR 61

STATE SECRET SGD WAILES.

1. Political.
- A. Internal.

1. Proposed party govt. From Amb's talks with PM, other sources indications are that some ministerial changes to give govt greater appearance genuine party basis may occur next month or two, possibly before Shah's European trip mid-May. Plan is to make one of two official parties govt party, following which PM will join that party and cabinet will be reshuffled to include largely members of govt party with possibly a few members of "opposition". PM prefers mardom for this role and feels he has convinced Shah accordingly. Said feels proposed moves will put teeth into party system, be long step forward in democratization of govt. Reports from Majlis indicate many independent deputies have been asked join one or other party. (CONFIDENTIAL)

Comment: Proposed step consistent with Shah's policy of attempting develop two-party system, give regime appearance of having normal political basis. (CONFIDENTIAL)

2. Plan org director attacks World Bank: In press interview this week Ahmad Aramesh, director plan org, launched bitter attack IBRD. Said bank had no right oppose DLF loan Bandar Abbas Port Project, alleged bank partially responsible acute financial position plan org. and biased re plan org projects. Also attacked dam project in particular and foreign contractors in general.

Following day, Majlis deputy demanded investigation plan org inefficiency, extravagance missappropriation; charged corrupt conniving with foreign dam contractors. Subsequently, Majlis committee rejected budget bill clause authorizing \$26.2-million DLF road loan. (UNCLAS)

Comment: Appears probable pattern events cited predetermined by Aramesh to justify his resignation in near future. Outbreak violent and zealous criticism plan org potentially harmful that org and econ stability. Request

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MESSAGE

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for approval DLF loan will be resubmitted to Majlis in form separate bill; if approval long-delayed cash flow problem plan org and foreign exchange problem Central Bank will become increasingly serious. (CONFIDENTIAL)

B. External.

1. Iran-USSR. PM told Amb Shah told him be prepared leave on good-will mission first week in May. Mentioned hostile Sov propaganda against mission and said he was worried Sovs would find excuse break off talks in Moscow in retaliation for similar Iranian action two years ago. (SECRET)

Press reported Sov Amb Pegov told reporters at Sov Emb press reception that goodwill mission and talks to be held in Moscow will not be based on any special conditions. Also quoted as saying that USSR is not only prepared establish steel mill in Iran but is ready make available any economic and technical aid Iran may require, without any conditions whatsoever. (UNCLASSIFIED)

Comment: PM seems convinced Sovs intent on exploiting visit for propaganda purposes and have no serious intention of improving relations in general. Still not clear to what degree discussions will cover substantive political matters (SECRET)

2. Iran-Iraq. PM told Amb that Iranian Amb Aram had returned Baghdad with two notes re Shatt Al-Arab dispute. First dealt with Abadan Berthing situation and Iranian willingness discuss this with other questions. Declared this was important concession and departure from previous position that berthing issue strictly internal matter not subject joint conversations. Added if Iraqis do not accept, GOI will consider this as indication lack of desire reach agreement. If Iraqis accept, Aram will deliver second note proposing joint conversations at early date.

Consortium officials told Emb it now appears Abadan refinery can continue operate at present throughput levels (155,000 B/D) for 4 months and possibly for balance 1961. Expressed misgivings however re possibility restoring refinery operations to normal once Abadan port dispute settled, particularly if present situation prolonged, since there is some doubt former buyers will resume purchasing from source demonstrated as unreliable. (CONFIDENTIAL)

2. Psychological A. Press

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1. Laos-Vietnam. Though Laos remained top front page story, comment very light. Peygame Emruz objected big powers were underhandedly imposing coalition govt against will of people, warned other small powers be on alert against machinations London, Washington, Moscow. Ettelaat noted trouble in whole area result of poor French colonial policy; noting Communist trouble-making in Vietnam, paper claimed during elections Communist efforts had great impact in decreasing Ngo Dinh Diem's majority.

2. Foreign aid. Two small papers contrasted Soviet Ambassador Pegov offer of aid without strings, including steel mill, with "American" objections to Bandar Abbas Port loan, Jehan calling on U.S. to hurry up and define its aid policy, Sedaye Mardom recommending acceptance Soviet offer. Small weekly Nedaye Sepehr hoped Soviets meant it, but said past Soviet record did not breed confidence.

3. Kennedy. Ettelaat applauded Kennedy, Macmillan for coming to look at world with realistic eyes, no other talks had removed British worries U.S. neglecting Europe for underdeveloped areas. Only problem remaining in US-French relations, and upcoming Kennedy visit should reassure French.

4. Corruption. (WEEKA 14) Horner's nest stirred up by Khandaniha continued to buzz, several papers noting rumors of pending shakeups in govt which neither confirmed nor denied, leaving people, press, up in air. Mehre Iran, Jehan say shakeup would be most welcome, Jehan noting secret war is being staged between nation as a whole and ruling clique which on top since before Qajar dynasty; Shah's intelligence lends hopes. Rewshanfekr opined Shah had become aware of harm done by Sycophants, would act; criticized PM and govt for lying to people about state of affairs. Khandaniha responding to letter of criticism for its statement govt is "Father" of nation, hastened to clarify it meant not this govt, but a "True National Govt." Marde Mobarez meanwhile said corruption could not be denied, but it fault of populace, since govt officials selected from among the people.

Comment: Khandaniha, Rewshanfekr, Jehan are publications of some influence but major papers have stayed out of this.

5. Soviet man in space. Banner headlined virtually all papers. No comment yet.

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B. International congress of musicologists. IPGBC scored clear propaganda success in Tehran by sending first-class violinist, excellent Tadjik song-dance group to perform at week-long congress and in public. American delegate Cowell reported, however, that among professionals much of success wiped out by Tuesday's longwinded speech by Soviet delegate Vinogradov. After opening with ill-tempered tirade objecting to fact Russian not one of official languages of congress (Farsi, English, French), Vinogradov reportedly said, in effect, those wishing to learn how to accommodate oriental to occidental music should come to USSR to study but that in any event oriental music had been stultified for some 500 years and did not represent vital tradition.

C. Radio Moscow-NVI.

Both Radio Moscow, NVI reported Dhahran "Air Base" being transferred to Dezful, Hamadan Airfields after Saudi rejection US aid to Israel; RM added atomic polaris submarines will be based at Bandar Bushire in addition Turkish, Pakistani ports. NVI said this dangerous "Coup Regime" surrender to imperialists disturbs Iran's neighbors, denounced by Lebanese press.

Both criticized GOI 1340 budget as not meeting people's needs, designed maintain police regime, arms race, with main burden on poorer classes.

Both attacked west's economic, engineering activities. Said Western experts stress that Iran needs agricultural progress because fear loss of markets when Iran industrializes; contradicted by West Germany experts who say Iran's prospects for industrialization good, it "wrong and deadly" for Iran base economy solely on fluctuating world agricultural markets, oil. Noted Iraq getting steel mill, other factories with Soviet aid, no strings attached. NVI said Morrison-Knudsen failing in Iran as in Afghanistan, recent crack in walls renders their Karaj dam useless.

Other topics included attack on Consortium expression support for underpaid Iranian teachers, and reminder that replacement "ill-reputed" Alavi-Moqadam, Bakhtiar, others by persons "who not yet had chance besmirch reputations" must not lull people into false belief reform occurring; change merely means US advisors want replace truncheons, harsh methods with subtle infiltration student organizations, hope divert students from patriotic duty by sport clubs, recreation centers.

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Comment: Increased volume, variety of topics
noted this week.

3. Military:

A. Army - Negative.

B. Navy

1. Admiral H.P. Smith, CINCUSNAVEUR visited
Tehran April 11-13 (UNCLASSIFIED)

Comment: Lt Gen Hejazi Chief SCS highly pleased
with visit. (UNCLAS)

C. Air Force - Negative.

ACTION: ACSE

INFO: DCSOP, OSD, OSA, JIG, AF, NAVY, STATE

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APR 61

STATE CONFIDENTIAL

SGD WAILES

1. Political

A. Internal

(1) 1340 budget. (WEEKA 14) Bill ready for floor debate after committee hearings. Budget committee ded 100 million rials (\$1.3 million) for steel mill project, 20 million rials (\$267 thousand) for provincial universities, pay raises for gov employees with degrees. New revenues, but committee liberalized procedure for transferring funds between budget items. Committee made numerous changes budget notes, most important being deletion rider authorizing \$26.2 million DLF roads loan and addition provision abolishing foreign transactions co. (UNCLASSIFIED)

Comment: Expenditure increases without new revenue sources would reduce surplus from 1,920 million to 1800 million rials (\$25.6 million to \$24 million). Action re DLF loan will necessitate separate legislation, further delay plan org receipt funds from loan negotiated four months ago. (OFFICIAL USE ONLY)

(2) First quarter oil payment. Consortium on 15 April paid G01 \$67.9 million on account operations first quarter 1961. (UNCLASSIFIED)

Comment: Payment appears to be about \$3 million less than might have been expected without curtailment Abadan refinery throughout during half of quarter, resulting from Shatt dispute. Consortium expects increase crude exports to reduce future revenue losses, but eminent loss inevitable unless dispute settled soon. (CONFIDENTIAL)

B. External

(1) Iran-Iraq. FonMin officials pessimistic re Shatt negotiations and have under consideration referral of question to UN Security Council. We have conveyed to them our view Security Council not proper forum for this question. NIOC reportedly discussed question with Iraqi oil officials framework of OPEC, but without result thus far.

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PM indicated concern at lack of progress and told Amb loss of revenue at Abadan required prompt action. Hoped Amb Aram would see Qasem soon but said reluctant press latter too hard in view his other current problems. Said that other than Abadan, differences between two countries were of no great consequence from standpoint of tie and could be referred to ICJ. (CONFIDENTIAL)

(2) Cento. SecGen Baig visited Tehran during week. Met with Shah, other officials, called on Amb.

2. Psychological**A. Press**

(1) Cuba. Though invasion has been top news item stealing banner headlines from Soviet spaceman, comment scanty, tending towards pro-Castro line. Etteaat said claim Cuba is Communist unfounded, as revolution was and is reform movement; next day said Communist threat exaggerated, what has arisen in Cuba not Communism but Nationalism. Hunger for improvement of awakened Latin peoples has caused them reject hegemony of U.S. If reformers have looked to bloc, this only natural in view tremendous strides made by Russia in brief period. U.S. must re-examine its situation, objectives. Keyhan suggested U.S. at fault, saying Castro proposed discussions but Kennedy "did not show any inclination." (UNCLASSIFIED)

Comment: U.S. position of sympathy with original revolution, which perverted by Castro, hardly understood at all here. Though people can grasp this idea when explained it is not as compelling as the feeling giant U.S. "bullying" tiny nation. Etteaat items do not mention invasion, possibly written prior to it. (UNCLASSIFIED)

(2) Space flight. Soviet manned flight brought expected flood favorable publicity, including abundant editorial kudos. Most common comment has been that this a victory not solely for USSR but for mind of man, hopeful that benefits to humanity will come. Several papers noted this also political victory. Ettlaat saying this more important than scientific victory. Paper caustically noted that despite superhuman efforts U.S. rockets too weak to take a man on simple space travel, but added what Russians did others can do, and if they fail cannot cry out against destiny. Farda complained of all effort expended to reach the stars when man has not solved his problems down here. (UNCLASSIFIED)

CV thought Soviet achievement has been clear propaganda bonanza, local reaction not as excited as anticipated. Local attitude tends to be both U.S. and USSR scientifically advanced; Emb doubts balance significantly altered. (UNCLASSIFIED)

(3) Laos. Laos almost completely crowded out of news. Only comment Peyqame Emruz, decrying big power intervention. (UNCLASSIFIED)

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(4) Majlis. Recent speeches in Majlis critical of govt stirred Kayhan, several small papers, to wonder whether 20th Majlis, despite fraudulent manner elected, might turn into useful effective session. Joined by Siasi in saying words not enough, deeds count. Peyqame Emruz said deputies probably acting out of fear Majlis might be dissolved, that considering elections, deputies' speeches supporting the people were joke. Setareye Tehran agreed, saying deputies only shedding crocodile tears; said if deputies saw service, it only by chance, when their interest, public's happen to coincide. (UNCLASSIFIED)

Comment: Editor of Kayhan one of critical speakers. (UNCLASSIFIED)

(5) Press restrictions. Suspended daily Dad reappeared April 13; after four days of publishing critical editorials was suspended again. Elm O Zendegi still quashed. (UNCLASSIFIED)

Comment: Though Dad materials critical, not bad enough to justify suspension. Apparently govt has simply decided Dad must go; April 18 all editors were informed that govt was restricting number papers receiving govt advertisements, on which many depend for existence. Dad one of papers left out. Emb feels reduction number of tiny papers flooding market will be healthy. (UNCLASSIFIED)

B. Radio

(1) Cuba. Radio Iran in two daily commentaries has reported on invasion in full, tending to emphasize that side of news favoring invaders. Kennedy reply to Khrushchev called "courageous and clear." (UNCLASSIFIED)

(2) Radio Moscow-NVI. Both bitterly attacked "American aggression" in Cuba; said all peace-loving nations expressed fury, disgust, will help Cuba if aggression continues. RM cited anti-US demonstrations in Russia, France, Italy, China, UAR; NVI said presidents of Brazil, Venezuelan Senate among many Latin Americans protesting. RM deplored that while Russia conquering space for mankind, world peace, imperialists trying conquer freedom-loving nations; said that if small but vigorous Cuba, so near America, can oust American imperialists, Iranian people can do likewise.

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RM earlier discussed "world's biggest monopolist," Standard Oil of New Jersey, member of "oil-stealing" consortium; said when Western countries talk of "the free world" they mean countries where this giant company free to rule like powerful monarch. Said Jersey Standard agents financed coup d'etat to gain control Iranian oil after nationalization; although has only five percent of shares, Standard runs consortium by controlling other American member companies. Standard reorganizing oil industry in Iran, plans dismiss many Iranian laborers. (UNCLASSIFIED)

NVI said newspaper Keyhan article familiarizes Iranians with past activities U.S. Ambassador, reporting U.S. Senate accused Holmedvof "immense thievery"; said Keyhan quoted American sources to name various methods used in his "financial trickery." (UNCLASSIFIED)

NVI said heavy rains during Meshed visit Shah and Queen Farah illustrated people's proverb that sky weeps bitterly whenever member Pahlavi Dynasty arrives Meshed, due to past torture, ordered there by Pahlavis. Shah mainly interested in account books Meshed shrine custodian, let "Farah Khanom" (insulting usage) who "recently has become Economist" visit chamber of commerce exhibit. Shah visited so-called "university" Meshed whose annual budget only half amount spent for Queen Elizabeth's golestan palace bedroom. Noted also royal court worried over space triumph scored by Russia, not U.S.

Comment: First time Farah included in anti-Shah attacks. (UNCLASSIFIED)

2. Military

A. Navy

(1) 18 April CINC IIN went to Karachi visit Pakistan Naval installations. (UNCLASSIFIED)

Comment: interdependence between Iranian, Pakistani Navies continues to grow, probably to best interests both countries. (UNCLASSIFIED)

(2) Adm H.P. Smith, USN, CINCUSNAVEUR, visited Khorramshahr 18-19 April. (UNCLASSIFIED)

Comment: This is probably first visit U.S. four-star Admiral to Khorramshahr Naval Base. IIN personnel gratified with visit. (UNCLASSIFIED)

B. Army - Negative

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C. Air Force

(1) CENTO Exercise SHAHBAZ IV. SHAHBAZ IV successfully completed 11-13 April. Iranian phase included 18 intruder sorties per day, flown by British Canberra bombers and interceptions were accomplished by IIAF F-84G's and F-86F's. First day of exercise, airborne electronic jamming experienced from northern sector, undoubtedly USSR generated. (CONFIDENTIAL)

(2) Czechoslovakian Morava L-200. Morava L-200, twin engine, five passenger aircraft demonstrated Tehran 12-14 April. USSR Amb, Pas Owner Shafiq, Prince Gholam Reza were in attendance. (UNCLASSIFIED)
Comment: Little interest shown by Iranians. No sales. SE IR 1459861. (UNCLASSIFIED)

(3) Air crash. 17 April air taxi twin engine aero commander with IIAF Lieut. Sabbakhi as pilot, one Israeli and three private Americans from Houston, Texas crashed. No survivors. (UNCLASSIFIED)
Comment: Appears aircraft iced up and crashed 10,000 ft level of mountain near Nain. (UNCLASSIFIED)

(4) Shashaani decorated. 19 April Amb Wailes presented Legion of Merit given by USAF to IIAF Gen Shashaani for his tour in U.S. as Iranian Military Attache. (UNCLASSIFIED)

ACTION: ACS1

INFO : DCSOP, CA, OSA, JIG, OSD, AF, NAVY, STATE

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COMDR 17TH AF GERMANY, COMDR 2ND ADIV DHAHRAN
SAUDI ARABIA

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APR 61

SGD ROCKWELL, CHARGE

Joint Weeka 17

1. Political

A. Internal

Majlis: Recent sessions marked by strong attacks on various aspects of Govt. Also number of potentially embarrassing question asked. Apr 20 Saleh repeated charges two recent elections rigged, Majlis illegal. Speech accompanied by orderly student demonstration in Majlis Square. Saleh also tabled questions asking by what right Govt interferes with press, why newspaper Dad suppressed, why elections in Masjid-E-Suleiman suspended. Other questions were by Kayan editor Faramarzi who asked for account of Mozafar Baqai's arrest and series of questions by Arsalan Khalatbari on foreign contracts and advisors. Finally during opening stages Budget Debate which began Apr 23 several deputies charged Govt with waste, inefficiency, corruption, suppression of freedom, Plan Org, NIOC, Min Finance singled out for attacks, though speakers as usual refrained from attacks of Shah, in particularly strong speech, Moqadam, Mardom Deputy from Azerbaijan, said apparently country heading for economic bankruptcy, condemned Eqlbal Premiership, criticized lack of Civil Rights in Iran.

Govt replies made Apr 20 by Plan Org Head Aramesh and Apr 26 by PM Sharif-Emami. Aramesh after reviewing Plan Org accomplishments said possibly mistakes were made, whole matter being investigated, especially foreign contracts. Sharif-Emami denied lack of freedom, citing Apr 20 demonstration, freedom of speech in Majlis as proof. Said however freedom should not be abused. Regarding criticism said matters exaggerated, but echoed Aramesh's comments on Plan Org. Invited Majlis to cooperate with Govt., speed up approval budget.

Comment: Khalatbari's anti-American and Xenophobic attitudes are well known. His questions suggest attack on U.S. Non-Military Advisors. (CONFIDENTIAL)

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(2) Continuing attacks on foreign contractors and consultants: (Weeks 15) In press and Majlis attacks (see above) Aramesh has charged foreign contractors and consultants, alleging profiteering and violation of Iranian laws. An unnamed company, clearly recognizable as Khuzistan Development Service (Development and Resources of New York) singled out for special attack. Aramesh stated this company expended more than \$90 million without submission single voucher or audit statement; claims it will be held strictly accountable all expenditures. (UNCLAS)

Comment: Aramesh attack on KDS seems build up of ultimate court case against Abolhassan Ebtehaj, former Plan Org Director, who concluded KDS contracts. Charges against KDS welter of half-truths. KDS accounts audited by distinguished US accounting firm and by Plan Org Audit Division. All KDS documents said to be available GOI examination.

Aramesh's Xenophobic apparently having adverse effect foreign investment climate in Iran. (CONFIDENTIAL)

(3) Kama Dam work progress endangered. Due inability to obtain funds from Plan Org, Harza Engineering Company and Morrison-Knudson International have given written notice cutback work activity Kama Dam imminent. Unless assurances fund availabilities promptly received, work force at Dam will be reduced from 3000 to 1000 at end of week. Both companies recognize total work stoppage may be necessary. MKI has current claim \$4 million and Harza \$300,000. (Official use only)

Comment: Plan Org Director Aramesh has refused see reps both companies since his appointment. He has arrogated to himself all decisions re payments Plan Org Projects and is arbitrarily picking and choosing between companies. (Official use only)

(4) Shah's Press Conference: First conference in four months held Apr 22. In general remarks Shah showed optimism, made no important disclosures. Criticized those who belittle Iran's achievements; said Iran rich in resources, not overpopulated, could perhaps reach standard of living advanced European countries. On Moscow Goodwill Mission denied rumors Mission had been cancelled but did not when would proceed. On corruption said strenuous efforts being made find corruption, punish guilty persons; however, however, specific evidence lacking, anyone possessing documentary proof of corruption should send evidence to him. On Plan Org said whole

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matter under investigation. Nothing wrong, he said, with hiring foreign experts; problem is whether sufficient care used in method employment. Repeated Iran's determination have steel mill, averring that all studies showed feasibility project. (Limited official use)

(5) PAS opens domestic route operations. Persian Air Services (PAS) sheduled start domestic air route services Tehran-Isfahan-Abadan May 1 in direct competition with IRANAIR. (UNCLASSIFIED)

Comment: PAS operated by Sabena has dealt serious financial to IRANAIR by opening competitive air service. (Official use only)

B. External

Iran-Iraq. Tanker shipments resumed at Abwdan Apr 24 on basis return to status quo ANTE, pending outcome talks with Iraqis. Impasse resolved when Consortium received communication from Khorramshahr Port Directorate rescinding order requiring use Iranian berthing masters at Abadan. (Official use only)

Consortium says trading COS. expediting ship movements to resume offtake products Abada; expects early increase Abadan with restoration full scale activity by end May. (CONFIDENTIAL)

According PM, Iranian decision taken reciprocate conciliatory Iraqi attitude in agreeing send delegation Tehran discuss Shatt problems, with Aradan issue heading agenda. (CONFIDENTIAL)

Comment: Contrary to impression given by PM, appear Iranians took initiative end stalemate in face continuing Iraqi insistence on return to practice prevailing prior Feb 16. (CONFIDENTIAL)

Revenue loss Abadan cutback can and probably will be made up by extra refinery throughout and higher crude exports during remainder 1961. (CONFIDENTIAL)

(2) Iran-USSR. in talk with Charge, PM said he told Sov Amb Pegov Apr 22 he would like postpone Moscow Goodwill Mission until after Shah's return from month's trip to Europe, commencing May 18. Gave as reason involvement in preparation of budget. Told Charge real reason was unfriendly references to Shah and Iran by Khrushchev in recent interview with Walter Lippman. (CONFIDENTIAL)

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Kayhan International, Kayhan and Ettelaat published Lippman's articles on interview with Khrushchev but omitted paragraphs on Iran from 2nd article. In editorials referring to Lippman interview, Ztelaat and Tehran Journal declared Khrushchev believes that poverty and corruption will lead to communist upheaval. Said there is no denying this truth. Khrushchev's remarks on Iran should serve as warning. "Knowing what he has in mind, we should try to reduce gulf separating various social classes and wage a ruthless war against corruption. Thought that Americans, who themselves face communist penetration behind their frontiers, will protect Iran is nothing but wishful thinking." (UNCLASSIFIED)

Comment: PM has been increasingly uneasy over political risks of Moscow trip, tentatively scheduled May 2, and was apparently able use Lippman interview to persuade Shah agree to further postponement. Indicated he had concluded nothing good could come to Iran from mission and purpose now was to postpone trip indefinitely. Same day PM told Charge Goodwill Mission postponed Shah announced at press conference trip would not be cancelled. (CONFIDENTIAL)

(3) Iran-Uk: Manuchehr Eqa, former PM and Mellitun Party head appointed Amb to Great Britain. Expected resign Majlis seat and proceed London within next two weeks. (UNCLASSIFIED)

2. Psychological

A. Press

(1) Corruption: Widespread news and editorial coverage of Shah's press conference (see above). His declaration corruption must be rooted out and guilty punished widely hailed as beginning new era, Ettelaat calling it "White Revolution, with his Majesty the Shah acting as its standard bearer."

Comment: Although editorial response enthusiastic, sounded to many observers like well-rehearsed chorus dutifully chanting some old song.

(2) Cuba: President's Speech to American Society of Newspaper Editors has tended temper the almost unanimous pro-Castro tone of previous week. Kayhan and Ettelaat note Castro's victory over rebels has strengthened his position Latin America. These major Dailies maintain U.S. policy as spelled out in the President's speech leaves Castro no alternative but to turn even more to Sino-Soviet Bloc. This will intensify struggle for power because US clearly does not intend permit establishment communist base 90 miles from own territory.

DA In 108364

(28 Apr 61)

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Smaller papers, particularly Peiqame Emruz, Siyasi and Naghmehe Donya continue editorial chant placing US in role of big nation shamelessly attacking smaller. They maintain prestige of US and President Kennedy has suffered severe blow.

Comment; US position regarding Cuba still not sympathetically understood by Tehran Press.

(3) CENTO: Considerable news coverage Ankara CENTO conference but little editorial comment. Farman noted Shah's press conference statement "in my opinion US has no good excuse for not joining CENTO, especially when it is a member of all its committees." Farman supports statement and calls on US accept full membership.

(4) Majlis. All newspapers offering liberal free advice to Majlis. Azhang noted Melliyun Party losing ground, Mardom Party gaining. Proposals range from cleaning up Plan Org corruption to eliminating from Govt and educational circles "old worn out hands" so that vigorous and uncorrupted youth can move in.

B. Radio (Weeks 1b)

(1) Radio Iran continued full coverage Cuban episode. Commentaries reflect sympathy toward anti-Castro forces. President's asne speech broadcast in full twice.

Comment: Radio Iran's signal heard easily throughout Iran, consistent tone of commentaries and full reportage President's speech may help mitigate derisions expressed by newspapers. (UNCLASSIFIED)

(2) Radio Moscow/NVI: RM resumed discussion Standard Oil, attacked Rockfellers, whose "control over \$60 billion, helped cause World War II"; said their US-Office ordered execution hundreds (Mosaddgist) "patriots". Continued attack military alliance under which "foreigners control Iranian Army, plan establish rocket base Iran".

NVI said Aramesh Majlis speech for first time officially revealed how Plan Org ruined country, squandered resources, incurred back-breaking loans, left many projects uncompleted; speech unintentionally ruined "Coup Regime" by verifying protests Iranian people, nationalistic; VI. Amazing Aramesh, who named Shah's regime enemy of political, economic progress Iran in "crossroads" of the Middle East" Articles, willing continue serve Shah in Plan Org.

Said nation demands end Consortium intrigues which created Shatt Navigational Depot in order to close Abadan refinery; Shah again showed self Consortium's captive when declined answer Press Conference question on dispute, despite

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public interesting question.

Reported CENTO Military Committee in Ankara discussing reduction US Bases in Turkey, Pakistan, due uneasiness those Govts; US delegation hopes solve problem by establishment US Forces in Iran under military agreement.

Decried appointment "criminal" Eqbal Amb London, "another crime of Sharif-Emami Cabinet." Said Majlis Deputy Rahmatollah Moqadam demanded Govt prosecute Eqbal; NVI agrees Eqbal must not "escape" from country.

3. Military

A. Army

(1) J-2 SCS personnel changes. Brig Gen Rajabali Hamasi, Chief Sec 2, replaced by Col Mohammad Sadeghi, former Adjutant and Aide to Gen Kia. Brig Gen Esmail Charkhosht Chief Tribal Affairs Secpon, replaced by Brig Gen Abdol Ali Mansurpur, former Military Attache to Iraq. (CONFIDENTIAL)

(2) Retirements: Press announced following retirements 23 April: Lt Gen Alavi-Moghadam, former MI Interior; Gens Hassan Akhavi, ex-Min Agriculture; Mohamad Daftari, Chief of Armament; Maj Gen Mohamad Ali Khazai, Asst in Royal Inspection Office; Ali Gharib, unassigned. Rumored retirements include: Maj Gens Afshar-Hassanlu, Asst Comdt War College Abbas Izadpanah, Asst Min Agriculture; Brig Gen Ruhollah Navisi, former Chief Fisheries Dept. (UNCLASSIFIED)

Comment: Retirements part of continuing reshuffle within IIA. (UNCLASSIFIED)

(3) Rumored new Minister of War. Reportedly, Lt Gen (ret) Ali Asghar Naghdi, appointed Minister of War March 11, submitted resignation and Maj Gen (ret) Seyedmahmud Mir-Jalali being considered as replacement. Reliable source commented Naghdi submitted list 150 senior officers for retirement, demanded new reforms, and changes in key personnel SCS and Min of War. Naghdi's recommendation opposed by PM and Shah. (CONFIDENTIAL)

B. Navy-negative.

C. Air Force

Persian Air Service begins flying internally Iran (UNCLASS).

PAS using chartered Sabena Caravell Jet, will start flying between Tehran and Abadan 1 May (UNCLASSIFIED).

Comment: These flights will cause Iran Airways to lose most of its revenue and may cause bankruptcy. See IR 1459865. (CONFIDENTIAL).

ACTION: ACSI

INFO : DCSOP, CA, OSA, JIG, OSD, AF, NAVY, STATE

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JW 18

MAY 61

STATE CONFIDENTIAL
SIGNED WAILES
1. Political

A. Internal

"This document contains information affecting the National Defense of the United States within the meaning of the Espionage Laws, Title 18, U.S.C. sections 793 and 794. The transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law."

1. Teachers' strike and demonstration. In anticipation threatened teachers' strike govt arrested Mohamad Derakhshesh, leader teachers' union May 1. As result, morning May 2 group striking teachers, students marched on Min education, then proceeded Majlis building where session in progress. Group demanded Derakhshesh's release, resignation govt, salary increases for teachers. Gunfire occurred, eight persons wounded, two fatally. Police later claimed their shots fired in air and that unknown agitators responsible for casualties. However, subsequently Tehran police chief relieved of responsibility for riot control, police deprived of live ammunition.

Alayar Saleh arrived Majlis during demonstration, was hailed by crowd. Later urged them disperse.

May 2 Derakhshesh released, addressed crowd teachers, urged non-violence. AmConsul Isfahan reported teachers on strike May 2. Press reports indicate strike nationwide. May 3 many thousands participated orderly funeral procession for one victim. State-owned secondary schools still closed May 4. University not affected. Min education Jahanshah Saleh told Emb officer he planning resign unless govt corrects vacillating approach these problems (CONF).

Comment: Authorities do not appear be concerned over their ability to control security situation, but are very disturbed over incident. While original teachers' grievances not essentially political matter, it now certain that every dissident political element will try capitalize on shooting, make martyrs of deceased. Govt in increasingly

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awkward situation and will have to take strong action of some sort or face possibility increasing loss of control. (CONF)

2. Critical plan org financial position. (WEEKA 17)
At high econ council meeting May 2, Ahmad Aramesh, plan org director, informed PriMin and Cabinet that PO financial position deteriorating rapidly and unless solution quickly found wholesale project stoppage would be necessary with resultant heavy unemployment and bankruptcies. He estimated PO payment requirements prior to receipt next oil installment mid-July at \$65-million, including \$17-million currently owed contractors, and likely revenues at \$21-million.

Cabinet took following actions: (1) Established committee formulate recommendations for stretchout and/or cutback of PO projects (2) Central bank will provide requisite guarantees to permit conclusion \$10-million bank of American loan to PO; (3) Consortium will be requested make \$14-million advance on next oil payment to be utilized by PO; (4) US will be requested make immediate advance to PO rial equivalent 6.1 million generated under PL-480 agreement. (CONF)

Comment: Aramesh's gloomy pronostication severe economic dislocation in event no solution found PO financial problems appears accurate. Unless funds quickly available work at Karaj and Sefid Rud dams and extensive Khuzistan development projects scheduled grind to halt. Small payments made principal contractors this week sufficient maintain Karaj and Sefid Rud operations until about May 10 and KDS until May 15. (CONF)

3. IMF visit. IMF Middle East Chief John Gunter visited Iran April 21-May 1, held informal discussions GOI Econ officials and PriMin in effort find basis for revival stabilization program and reinstatement Iran drawing rights under IMF standby credit. Gunter proposed GOI prepare within three weeks program providing for emergency coverage plan org cash shortage problem, overall public sector financial plan, and concrete credit limitation plan for current year. If GOI proposals satisfactory, Gunter prepared to return with team for formal stabilization consultation. (CONF).

Comment: While GOI perforce working on solution plan org emergency (see above), prospects for new over-all stabilization program less bright because of widespread, although unjustified, complacency over foreign exchange reserves position. (CONF)

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4. Ebtehaj replies to Aramesh's criticism. (WEEKA 17) In statement released to press May 1, Abolhassan Ebtehaj, former plan org director, provided detailed rebuttal criticisms which Ahmad Aramesh had aimed at him, 10, and Khuzistan development service in recent weeks. Ebtehaj (1) staunchly supported Khuzistan development projects. (2) Paid glowing tribute to David Lilenthal and Gordon Clapp; (3) Defended KDS contract as proper, legal and in interest Iran; (4) Claimed KDS accounts accurate and fully audited; (5) Pointed out that Aramesh himself had renewed KDS contract and increased KDS fees; (6) Maintained financial problems PO stem from govt's reniging on commitment give PO 80 per cent oil revenues. (UNCLAS)

Comment: Ebtehaj's rebuttal which couched restrained language appears fully accurate. Aramesh has indicated intent reply next week. Outcome Aramesh's effort smear Ebtehaj and KDS remains uncertain. (OU0)

5. Majlis passes 1340 budget. Majlis May 2 passed and sent to Senate 1340 budget bill. Committees added various expenditures decreasing surplus from 1,920 million rials in original bill to 1,080 million rials. Senate consideration may take ten days, will not change basic figures. (UNCLAS)

Comment: Scheduled surplus less than half that required to fulfill last year's stabilization program commitments. IMF hopes to get GOI undertaking to keep actual expenditures below appropriations so that larger surplus can be achieved. (CONFIDENTIAL)

2. Psychological

A. Press (UNCLAS)

1. CENTO: Solid news coverage,, editorial comment before and after Ankara meeting. Ettelaat, Mehre Iran and Peyghame Emruz complained Pakistan, Turkey and even some Communist non-CENTO countries received more U.S. aid than Iran. Pakistan, Turkey pursue only military and political objectives in CENTO while Iran wishing only economic and social gains is forced bear major burden maintaing pact. Small weekly Nedaye Sepehre notes Soviet scientific and military gain, Cuban

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debacle, long common border with Russia, corrupt local elements and foreign economic agents and calls for neutrality.

2. Laos: Solid news coverage but limited editorial comment Laos situation. Ettelaat, Jahan view Laos crisis pessimistically noting that huge U.S. aid and military assistance failed halt Communist penetration and that fighting continues despite cease fire order. Jahan scorns inevitability thesis of Communism claiming Soviet lies and military action plus selfishness European colonialists, Chinese landlords responsible for deteriorating situation SE Asia.

3. Khrushchev-Lippman: Stung by K's insinuation that Iran will fall because poverty of masses and corruption, papers reassert strength of nation, love of people for Shah. Ettalaat, however, says K's statements must serve as warning corrupt elements must be punished, venal foreign agents expelled development spurred. Iran should not depend on foreign policy Russia, Great Britain or US. But instead rely on will and determination Iranian people.

4. Cuba: Smaller papers rehash loss of American prestige, delight of British and French at American "Suez". Popular magazines Khandanihah, Rowshanfekr forecast other communist uprisings Latin America result Cuban success. Say crushing invasion by "5000" former landowners proves Castro reforms united people behind him.

5. Spaceman: Arezu, Estakhr, Roshanfekr note Gagarin flight evidence Soviet scientific supremacy. Warn west, especially U.S. to catch up.

6. US Aid: Ayub Khan's statement to U.S. News and World Report drawing considerable press comment. Tehran press roundly supports Ayub's view that U.S. must learn distinguish friend from foe and realize Asian and African nations do not necessarily want American way of life. Wish to preserve national characteristics and independence, make scientific progress.

7. Teachers Strike: Biggest news and editorial item of the past few days. Most papers express sympathy teacher's aims but caution restraint, legal negotiations

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with GOI rather than harmful strikes. Some papers point out other civil servants also underpaid, Govt serious financial position and ask teachers not be misled by subversive elements even though their demands are just.

B. Radio

1. Radio Iran almost total lack of commentary past week. Widespread news coverage Laos, Algeria, Cuba. Radio Iran broadcast translation Casto's May Day speech, no subsequent commentary.

Radio Moscow/NVI: RM, NVI continued attention CENTO meeting. RM said conference leaders tried palm off CENTO as "relief organization" but words contrasted with militaristic reality; e.g., Iran's CENTO expenses may prevent execution seven year plan; Iran forced devote nearly 60 percent budget for military purposes, only 12 percent available for industrial development. NVI said Fon Min Qobs-Nakhal admitted CENTO has not been success.

RM said ruling class promised "white revolution" of social reforms, but only passed demagogic law to deceive workers. Foreign monopolists also exploit workers, e.g., United Workers and Manufacturers reduced worker's wages nearly one-third, George Fry Associates' report proposed Iranian factories take greater advantage women, children, promised reduced wages by half. Iranian people convinced thruth words anthem internationale, that "freedom will not be granted by God, King, Hero, we will obtain by own hands." Strikes of weavers, construction workers, printers, drivers, teachers indicate laboring class has found right method, should continue. The Moscow far away, each Russian feels self beside Iranian laborers NVI, repeated need for force, said land reform law unenforced by feudalist "coup regime", illustrates historical experience that reactionary rulers oustable only by revolution.

NVI said Shah, Queen Elizabeth discussed entry Iran into British Commonwealth, partly because "no sweet promised received from American." Egbal assigned Amb London to obtain guarantees for maintenance "coup regime", prepare for gradual affiliation. Recent attacks on Pan Org, foreign experts, Sharif- Emami's "confessions" are prelude to replacement present advisors by British experts. (UNCLASSIFIED)

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3. Military

A. Army

1. Retirements: Following police officers retired 21 April: Brig Gen's Ahmad Drakhshan; Mehdi Gharib; Javad Asefi. (UNCLAS)

2. Demonstration: One Battalion each from 1st and 2nd Infantry Brigades, Tehran Garrison, alerted assist police control teachers' demonstration. (see above). Four companies Military Police and Special Forces (Parachute Battalion) were seen vicinity Majlis during demonstration 3 May. (CONFIDENTIAL)

Comment: First time Special Forces used in this role. (CONFIDENTIAL)

B. Navy-negative; Air Force-negative.

ACTION: ACSI

INFO: DCSOP, CA, OSA, JIG, OSD, AF, STATE, NAVY

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NR : 191000Z JOINT WEEKA 20 MAY 61

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SGD WAILES
I. Political

A. Internal

1. Amini. In two weeks strenuous activity
PrMin Amini has had marked success in convincing public he
has interests nation at heart and that his govt represents
significant change. This achieved in part by dissolution
Majlis, announcement general reform program, but major impact
obtained by May 13 arrests four leading generals, including
ex-Cabinet Ministers Alavi-Moqadam, Zarqan, ex-J2 Chief Kia
on charges corruption, violation public trust. Following
arrests these top officials, other arrests reported; govt
denies these but promises vigorous action will continue until
govt purged of corrupt elements. Reportedly, when cases pre-
pared govt plans hold public corruption trials.

Former PrMin Eqbal's assignment Amb in
London cancelled. He left country with govt permission.

Dissolution Majlis greeted with widespread
enthusiasm, but govt already facing embarrassing demands new
elections be held within one month. National Front, whose
thunder being stolen by Amini's dramatic actions, playing this
theme steadily, planning big public rally May 18 to reiterate
demands. Amini, in May 16 press conference, however, said
that due effective electoral law elections not possible for at
least six months.

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Another immediate concern new govt is necessity coming to grips with financial crisis. Most pressing problems are juggling 1340 budget figures to provide pay increases for teachers and perhaps others, also meeting minimum cash needs plan org.

Amini may 15 appointed Mohamed Derakhshesh, Head of Teachers' Organization and leader recent teachers' strike, Minister Education. Derakhshesh now will have to join in making hard decisions to finance pay increases he so instrumental in bringing about (CONFIDENTIAL)

2. Shah's visit to Norway. Shah and Queen Farah departed May 17 for one week state visit Norway. Intend return directly to Iran instead of vacationing Europe several weeks as originally planned. Left Crown Prince Reza in Tehran, appointed Regency Council including Princes Qolam and Abdor Reza, Min Court Ala and PriMin Amini. (UNCLASSIFIED)

Comment: Presence of Crown Prince in Tehran stressed in press as evidence of Shah's confidence in nation and in govt's control of situation. (UNCLASSIFIED)

Shah told DCM he was leaving country contrary recommendations of advisors but he believed cancelling trip would be interpreted both in Iran and abroad as sign country about to collapse. (CONFIDENTIAL)

3. Financing provisions for War Ministry. U.S. decision this week authorize \$9 million grant under FY 61 DS to be allocated MinWar has cleared way for that Min to meet payment obligations due Iranian year ending last March 20. This will complete total DS association \$19 million to MinWar of which about \$10 million previously advanced by Central Bank. (OFFICIAL USE ONLY)

Comment: Events have proven purchase authorization system of generating rial under DS program too cumbersome meet urgent requirements Min War. Delays involved in DS procedures have had adverse POL-econ consequences. (OFFICIAL USE ONLY)

II Psychological

A. Press

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1. Amini's Govt. All papers editorially preoccupied Amini's "white" revolution. In varying degrees of shrillness papers demand Amni prosecute, punish corrupt elements but be alert against their strong, well financed counter actions. (UNCLASSIFIED)

Comment: Papers trifle giddy with unaccustomed editorial freedom, generally optimistic Amini will succeed. (UNCLASSIFIED)

2. Shah. His role in Amini reform actions rarely mentioned. Routine news coverage his activities. State visit Norway front-page but not major headline. Comment most papers brief and off hand re Norway visit; express hope for stronger ties between two countries. Ettelaat and Kayhan make pointed reference Crown Prince remains in Iran. (UNCLASSIFIED)

3. Egbal. All papers report his "hasty" departure. Jahan, Bamshah, Marde Mobarez suggest his flight first sign of compromise by Amini. (UNCLASSIFIED)

4. U.S. Ettelaat, Nahibe-Azadi turn aside local affairs long enough, implore Kennedy administration, American people learn from Cuban debacle; vague as to lesson to be learned. (UNCLASSIFIED)

5. Rumors. In generally confused situation press and public speculate lavishly re reason behind dissolution Majlis, timing new elections, arrests, results National Front meeting May 18. Irregularly-published International May 18 hints Mosadeq may attend NF meeting. Govt apprehensive over circulation rumors, has hinted at action curb press freedom if papers fail act responsibly. (OFFICIAL USE ONLY)

B. Radio

1. Radio Iran. Radio continues brief factual coverage local news developments although cautiously quoting foreign editorial response to actions Amini Govt. Extensive news coverage, some commentary VP Johnson's SE Asia visits. Radio comments Johnson's visit, speeches should reassure SE Asia of continued U.S. support, interest. News coverage, no comment Kennedy's visits Canada, France. (UNCLASSIFIED)

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JOINT WEEKA 20

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2. Radio Moscow/NVI. RM said though teacher strike ended, political, economic, social conflict intensifying, with agriculture in trouble, imports exhausting foreign exchange, people still denied any real political party. Strike unified Iranian society, all classes demanding better living conditions. New govt answered by banning demonstrations, calling for belt-tightening, forbidding alcohol and limiting food at govt banquets; But real answer is adoption policy neutrality, ending expensive military agreements which eat up oil revenues. RM also questioned need for regiments of advisors everywhere, justice of paying U.S. typists in Khuzistan more than qualified Iranian engineers.

NVI deplored Amini's attempt undervalue foreign policy. Said he well knows its importance, having come to power through U.S. foreign policy; Americans reportedly made aid conditional upon Amini's appointment. Said people want neutrality, yet Amini seeks strengthen US-Iran bilateral agreement; US Air Force intends show ability come to aid "coup regime" by May maneuvers. Said people want death of illegal consortium, but Amini, who joined with Shah, Zahedi to create it, wants strengthen monopolists' control over Iranian oil. Said people demand new elections within one month; Min Interior Amir-Azizi's statement present defective electoral law unenforceable is alibi for continuation regime, since only election interference is by govt itself, with outcome decided in Army, police headquarters. Accused Amini of arresting thieves close to Royal Court, e.g., Alavi-Moqadam, Zarqam, Kia, I order replace them with thieves close to Amini, and of putting bank notes into circulation without bank reserves, in order try to save bad financial situation.

Said Shah uneasy about trip abroad, cut it short. Newspaper Evening Standard wrote situation Royal Court reminiscent of ominous last days of czar; if Amini fails Iran must choose between police dictatorship and revolution.
(UNCLASSIFIED)

Comment: Unusually varied NVI broadsides suggest concern over Amini's effectiveness. (UNCLASSIFIED)

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III. Military

A. Army

1. Arrests. Lt Gens Haji Ali Kia, former J-2, Mehdi Gholi Alavi-Mogadam former Min Interior; Major Gen Ali Akbar Zargham, former Min Finance and Brig Gen Ruhollah Nevissi, former Head of Fisheries Dept, arrested May 13 on charges corruption, embezzlement, misuse of power and misappropriation of public funds. Generals held in custody at Military Police jail. Rumored additional officers involved in corrupt practices scheduled for arrests. (UNCLASSIFIED)

Comment: IIA reaction mixed, though some resentment Army officers immediately arrested while no action yet taken against civilian officials. (CONFIDENTIAL)

2. Reorganization. J-3 Section SCS reorganized into two separate directorates, (1) operations headed by Major Gen Habibollah Mir-Jahangiri; (2) plans headed by Brig Gen (FNU) Afkami. (UNCLASSIFIED)

Comment: Under current IIA reorganization plans, J-Staff to be reorganized as Directorate Staff. (SECRET)

3. Rumored reassignment. Lt Gen Azizollah Kamal, J-2, SCS to be reassigned as Chief National Police Vice Maj Gen Nematollah Nasiri. Nasiri to be reassigned as J-2. (OFFICIAL USE ONLY)

4. Promotion. Lt Col Alexander Fukovsky, Asst USSR MA to Iran recently promoted to Col. (UNCLASSIFIED)

5. Court martial. Five IIA officer students in grade of Col and Lt Col recently involved in conduct unbecoming of an officer, while attending military courses in Germany. Officers were dismissed from course and subsequently disciplined by summary court martial jurisdiction administered by CG GROAND Forces. Colonels received 20 days and Lt Cois 15 days in jail. (UNCLASS)

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Comment: First known case where CG GROAND Forces
exercised his summary court martial jurisdiction against
officer offenders. (UNCLASSIFIED)

B. Navy - Negative.

C. Air Force - Negative.

ACTION: ACSI

INFO: DCSOP, OSA, CA, JIG, OSD, AF, NAVY, STATE, CIA, NSA

DA IN 114645

(19 May 61)

wsa/3

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MESSAGE

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STAFF COMMUNICATIONS OFFICE

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FROM: SANA TEHRAN IRAN

TO : DA, CINCUSAREUR HEIDELBERG GERMANY, USDE MED DIV LEGHORN
ITALY, USCINCEUR, CINCNELM LONDON ENGLAND, USDOCOSOUTH,
COMFAIRELM, USAF LINDSEY AS GERMANY, COMAF17 GERMANY,
COMDR 2ND ADIV DHAHRAN SAUDI ARABIA

NR : 290600Z

JOINT WEEKA 21

MAY 61

STATE CONFIDENTIAL

1. Political

A. Internal

1. Amini. Amini govt during past week continued tactic of acceding to politically sensitive demands and promising popular reforms, while attempting buy time to solve crucial economic problems. PriMin granted wage increases to teachers, and through Min Agriculture promised meaningful land reform, warning landowners of Communist revolution if they do not abandon feudal concept of land ownership. Arrests for corruption have continued on reduced scale, press has been given greater freedom, and National Front has been unimpeded in public meetings.

Largest Nationalist political rally since overthrow of Mosadeq took place at Jalalieh Stadium May 18 with crowd estimated at more than 40,000. While most persistent topic was demand for immediate general elections, equally popular theme was neutrality and nonalignment in Iran's foreign affairs. Prolonged cheering greeted Dr. Karim Sanjabi's demand that future of Iran be decided in Tehran, and not in London, Washington or Moscow. Dr. Shahpur Bakhtiar called for withdrawal from CENTO, said that Iran must derive inspiration from Nehru and follow neutralist policy. Most spontaneous outburst came at mention of Mosadeq's name, when wild, emotional cheering continued for three or four minutes. National Front spokesman later told press that the front has no contact with Mosadeq.

At press conference May 21 Amini answered National Front by saying it impossible to hold elections now owing political and economic difficulties country faces, denied

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that Iran intends withdraw from CENTO. Said also that 1) No invitation received from USSR for good will mission, 2) Iran must put its house in order before asking for U.S. aid and 3) Denied knowledge of rumored Army coup, but said he knew he had many enemies. (CONFIDENTIAL)

Comment: Amini's chief political task will be to win middle class support, most of which has gone to National Front since it represented only organized protest against status quo. Front in turn can be expected to continue stress theme of neutrality and nonalignment, and may force govt to foreign policy changes in this direction. (CONFIDENTIAL).

2. GOI request for U.S. financial assistance.

Confronted by most critical financial problems, PM Amini this week made specific request to Amb for \$40 million in immediate U.S. assistance. Said this amount required cope with two most urgent problems, namely probable exhaustion free exchange reserves within 2-3 weeks and necessity close down large plan org projects near future due lack of rials. (CONFIDENTIAL).

Comment: Amini's statement re foreign exchange and plan org payment problems is accurate. Unless substantial financial help is obtained in immediately useable form, his govt will not long survive. (CONFIDENTIAL)

3. Isfahan textile workers strike.

During May 4-18 series of strikes, large demonstration occurred in Isfahan which resulted in need for temporary stationing army units textile mills, public places. On May 4 Shanaz mill workers presented demands to management for wage increase, holiday adjustment and employer contributions for social insurance. 1400 Shanaz workers subsequently embarked on "slowdown strike," other mills later followed suit bringing total force on strike to about 2,150. Although governor's security council granted workers demands, council exiled popular "labor agitators." Parading of "police-beaten, martyred worker" (later uncovered as hoax) caused demonstration of 4,000 protests to Tehran. Min Labor arrived May 17, placated labor-management and work resumed May 18. (OFFICIAL USE ONLY).

Comment: AMCONSUL Isfahan feels anti-Amini bureaucracy, possible Tudehist agitation Nat Front activity may have been instrumental whipping up laborers, long frustrated and presently looking to Amini Gov for remedy. DA IN 117564 (30 MAY 61)

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PAGE 3

Strike seen as test of capacity Amini Gov remedy genuing grievances workers, deal with leftist and rightist attempts weaken its position. (CONFIDENTIAL).

4. Anti-CENTO demonstration.

Protesting use of Shiraz University as site for conference sponsored by military pact, students boycotted inaugural session CENTO-sponsored conference on Preventive Medicine May 21; broke up conference meeting next day with noisy demonstration on university grounds. (UNCLASSIFIED).

Demonstrations reportedly organized by handful of agitators from Tehran. Latter said to be identified with National Front. (OFFICIAL USE ONLY).

B. External

1. Iran-USSR.

Sov Amb Pegoo quoted in press as saying USSR looks forward to independent foreign policy for Iran but added "we do not want Iranian relations with any other country to deteriorate for sake of our friendship." Cited example of Afghanistan which benefits from good relationships with USSR while obtaining aid from and maintaining friendly relations with United States. Regretted Iran turndown of Sov aid offers, rejection of nonaggression pact with USSR and signature of bilateral with U.S. reportedly declared future aid plans would depend on climate of relations and denied that clandestine radio stations attacking Iran were located on Russian soil. (UNCLASSIFIED).

2. Psychological

A. Press

1. Amini government.

Most papers call for people and press heed Amini's advice stop spreading false rumors; urge government pursue vigorous campaign against corrupt elements, encourage land distribution, solve economic problems. Three small papers Sedaye Murdum, Tajodod Iran and Donyaye Jadid claim current economic crisis result of American political blunders, American businessmen milking country under guise maintaining freedom and democracy. (UNCLASSIFIED).

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Comment: Most papers appear to be marking editorial time until direction and power Amini government more clearly established. (OFFICIAL USE ONLY).

2. Alabama race riots.

All papers devote considerable space, some derisive editorial comment situation Montgomery, Anniston. (UNCLASSIFIED).

3. Suspension.

Ettalatt, Kayan each suspended one hour Tuesday May 23. Ettalatt howled loudly, Kayan more calmly but warned government danger suppression freedom of press. (UNCLASSIFIED).

B. Radio

1. Radio Iran.

Increased coverage local news broadcast without comment. Broadcast press conferences of Aamin, Min Agriculture Arsanjani, Min Education Derakhshesh. (UNCLASSIFIED).

Comment: Along with newspapers, Radio Iran now permitted wider coverage local news development. Policy against comment continued, however, (UNCLASSIFIED).

2. Radio Moscow/NVI.

RM hit British, said British Petroleum Co., consortium-member scheming ruin Iranian oil industry by closing Abadan Refinery, substituting output ever-expanding refineries England, Aden, Australia. Former British Ambassador stated 7,000 UITI* now working South Iran, far more than under AIOC. Snobbish British are firing qualified Iranian technicians; Mr. Summerfield, head Aban fire station, calls all Iranians thieves to their faces.

Said 60,000 persons at National Front rally protested years of empty govt promises. Local production down, merchants, farmers, producers going bankrupt because cannot compete with foreign monopolist's junk which flooding market. While teachers were striking for meager pay raise, foreign advisers drive ultra-modern cars. Vacation Caspian, live it up in Shemiran. Declared Seyed Ziaeddin Tabatabai press

NOTE: *As received.

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Interview pointed out withdrawal from CENTO, bilateral agreement only way to save Iranian independence, prosperity.

NVI said Dr. Mosadeq, "legal PriMin Iran" invited to appear at National Front rally but remains Shah's prisoner, Savak prevented his coming Tehran. However, publication Mosadeq's picture for first time in Iranian press caused speculation he may soon received Royal Firman return to power; one paper said history repeating self. Times reminiscent last days Ala Govt before Mosadeq accession.

Said teachers won strike because united. Savak, police formerly gloated they knew, saw everything, could imprison, question, shoot anyone. Even Eqbal boasted: in 19th Majlis would shoot thousands if necessary to secure Shah's regime; today, although regime retains some strength, balance of power shifting, after failing break strike, regime now tries create disunity within teacher ranks, as by Darakpshesh appointment Min Education.

Said effective reforms must start from bottom, not top, "without mercy, as was done elsewhere." Self-styled reformer Amini let Eqbal escape well-merited punishment. Farmers deprived of basic human needs while their "owners" have high time in London, Paris, Mediterranean, mansions in Tehran, lands, cars, every comfort; unfortunately, Amini, Arsanjani support these blood-sucking leeches.

Said family of murdered nightclub singer Flora Aqasi wrote public prosecutor demanding arrest Prince Hamid Reza, "the murderer," claiming case hushed up by Shah. Several lawyers petitioned public prosecutor demanding prosecution Dr. Amini for thievery while Min Finance, e.g., acceptance \$14 million bribe from consortium.

Reported Shah decided at last minute to leave Crown Prince in Tehran during visit Norway.

Said Isfahan situation tense after govt opened fire on workers protesting living conditions; killed several, jailed many. (UNCLASSIFIED).

3. Military

A. Army-Negative

B. Navy-Negative

NOTE: ***Being serviced.

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ACTION: ACS I

INFO: CA, DCSOP, OSA, JIG, OSD, AF, NAVY, STATE, CIA, NSA

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COMDR 17TH AD GERMANY, COMDR 2ND ADIV DHAHRAN SAUDI
ARABIA

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JUN 61

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SIGNED ROCKWELL
1. POLITICAL

A. Internal

1. Government policy statements: Amin top
govt officials made concerted effort during week convince
public of chaotic condition of economy and necessity for
stringent stabilization measures. No attempt made to shift
responsibility for financial crisis to foreigners or to mini-
mize sacrifices necessary for recovery. Economic advisor
Khodadad Farmanfarmayan said cause was "senseless extravagance
and waste" of upper classes and inefficiency of previous govt
administrators. Min Ed Derakhshesh said government would cut
education expenses to bone, announced stoppage of foreign
exchange for wealthy students studying abroad. Addressing
bazaar merchants, Amini said business community shared
responsibility for economic difficulties, must cooperate in
implementing stabilization program. (CONFIDENTIAL)

Comment: Amini Govt's back bone apparently
stiffening after initial phase of granting economic concessions
to politically sensitive groups. PM's unvarnished, realistic
statement of problems seems to have gained respect many Iran-
ians, even among those groups who stand to lose most from re-
trenchment measures. (CONFIDENTIAL)

2. PM's relationship with Shah, Shah,
in week following return from Norway, strongly affirmed sup-
port of Amini and his reforms. At meeting with Cabinet June
2, and later during course of our Ambassador's farewell
audience, he indicated firm resolve to give PM full backing.
Amini so expressed satisfaction with relationship; which
appear include active (but hardly ceremonial) role for
Shah, who will maintain direct control of Army (SECRET)

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PAGE 2

Comment: Modus Vivendi described above can be expected to give Amini breathing spell and relieve him for time being of worry that Shah will intrigue against him and undermine his authority. (SECRET).

3. Economic measures. Following request for immediate U.S. cash aid, (Week 22), GOI moved ahead with econ measures to conserve foreign exchange, prepare new internal stabilization program. Foreign exchange measures included: Ban on pleasure travel abroad; further credit restrictions for importers and stoppage of payment on some overdue importer's bills. Pri Min Amini and econ. Ministers now studying credit and budget cut proposals by committee of experts with view toward drafting stabilization proposal. GOI has cabled IMF to send delegation for discussions beginning June 11. (OFFICIAL USE ONLY)

Comment: Slim foreign exchange reserves augmented by receipt early June \$14-million consortium advance and \$9-million cash grant from FY 1961 US Defense Support allotment. At present rate drawdown of reserves, however, emergency assistance which U.S has indicated it will provide must be forthcoming quickly to avoid chaotic econ, polit situation. (CONFIDENTIAL).

4. U.S. financial aid requested for land reform. Min Agr sent Emb June 6 informal unsigned note requesting 3-year \$100-million U.S. aid for land reform program. Aid would finance proposed compensation of landlords through GOI bonds discountable at Central Bank for industrial or agricultural projects by providing: (1) cover for rials issued for local currency component of projects; (2) financing of imports U.S machinery for projects. (CONFIDENTIAL)

5. PTT strike: Strike of telecommunication personnel ended June 1 after occupation of PTT headquarter in Tehran by National Police and Iranian Army telegraphers. Govt spokesman Arsanjani announced demands of striking PTT employees would be favorably considered but made no comment. (UNCLASSIFIED)

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NR : 100840Z

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B. EXTERNAL

1. CENTO. During farewell audience for Amb Wailes, Shah refuted press rumors that Iran planned leave CENTO. Declared Iran hadn't slightest intention take such action and stated Pri Min was as solidly behind CENTO as he. Shah mentioned similar rumors re British coolness CENTO, declared these flatly denied by British Amb and said he was glad of recent statements by British Govt affirming support CENTO. Also remarked that he believed these rumors emanated from Sov Embassy and were being spread by Neutralists. (CONFIDENTIAL).

In interview with UPI correspondent, Pri Min Amini reiterated support for CENTO and asserted there was no change his govt adopting Neutralist Foreign POLICY. (UNCLASSIFIED)

2. Iran-USSR. In impressive statement to Cabinet June 2, Shah reportedly reviewed history of Iran's relations with USSR in support his stated conviction neutral-ity was impossible policy for Iran and Soviet objective of dominating grant was not changed. Asserted U.S. right in believing neutral policy would be highly dangerous for Iran, said U.S. assistance in interest entire Iranian nation enabling Iran bear military burden imposed by proximity to USSR in addition improving lot of citizens. Stressed point Army might not be popular but was essential prevent Russians stirring up trouble inside Iran. Fon Min informed Amb he told Sov Amb Pegov June 5 there were no foreign bases or activities in Iran which could be harmful to USSR. Added there was no need to reiterate Shah's offer to assure Khrushchev no foreign missile bases would be established in Iran. Offered continue conversations to promote more amicable feeling between two countries provided it clearly understood GOI did not intend alter close relations with West. Pegov suggested FonMin might come up with new ideas on improving relations, to which latter agreed try. (CONFIDENTIAL)

Comment: FonMin believed thinking of cultural exchanges and trade improvement. (CONFIDENTIAL)

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II PSYCHOLOGICAL

A. Press

1. Amini Government: Only a few dissenting editorial voices heard this week in rising chorus praising Amini's ban on luxury goods, encouraging support of home industry, conservation foreign exchange. Peyghame Emruz, Rowshanfedr grumble reforms slow in coming, warn Amini must push corruption purge even if reaches to Royal Court. (UNCLASSIFIED)

Comment: Import ban appears to be most popular measure yet introduced, has temporarily stilled editorial carping of previous weeks. (UNCLASSIFIED).

2. Kennedy European talks. Full news coverage, relatively little editorial reaction to date. Kayhan, ettelaat speculate Western Alliance now stronger, chances for peaceful co-existence better although no major concessions made by either side at Vienna. UNCLASSIFIED).

3. Iran-Soviet relations. Most papers note without comment recent Amini-Pegov meeting, quote widely Pegov's statement Iran's turn to approach USSR for technical, economic aid. (UNCLASSIFIED)

4. American companies. Peyghame Emruz, Bamshad hail recent Wm O. Douglas articles and deduce he meant profitgreedy American companies support corrupt regimes, pave way for Communism. (UNCLASSIFIED)

5. U.S. aid. Most papers speculate possibility large U.S. loan, warn it must not be abused, predict U.S. terms tougher this time. (UNCLASSIFIED).

6. Neutrality. Some papers demand withdrawal CENTO, neutrality on Indian model. Report without comment Amini's reaffirmation value CENTO to Iran. (UNCLASSIFIED).

7. Suspension. AP correspondent Parviz Raien filing privileges revoked June 1 following alleged inaccurate reporting. Privileges restored June 8. (UNCLASSIFIED).

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B. Radio

1. Radio Iran. Full coverage, no comment local political developments. Full coverage, some comment Kennedy-European talks. Speculate lessening world tensions, increased cultural and scientific exchanges between U.S. and USSR. (UNCLASSIFIED).

2. Radio Moscow. RM continued neutrality crusade. Said after month in office Amini Govt continues ignore peoples demand for adoption policy neutrality. Govt should realize that balancing imports, exports not only way to better economy, which would benefit, as in other countries from ending expensive militarization; money saved, plus foreign aid "with no strings attached" which then would become available, could build heavy industry. e.g., steel mills. But while neutral countries get steel mills, U.S. advisors keep Iran retarded agricultural country, claiming industrialization "dangerous" for Iran. Meanwhile, Iran's children most deprived, frustrated in world; youngsters age 6 work 12-hour day in rug factories of Kermanbn Yazd, Isfahan, silk factory of Mazandaran, despity labor law, while imperialist aid funds build military installations instead of nurseries, schools, hospitals. Newspapers, and statesmen like Sardar Fakher Hekmat, Seyed Jarar Behbehani, Seyed Ahmad Tabatabai, Seyed Ziaeddin Tabatabai join with all classes to fonfirm that only answer is neutrality, withdrawal from CENTO, bilateral agreement.

NVI echoed RM neutrality arguments. Continued call for overthrow "Shah-Amini dictatorship," which "rules by firm hand and cabinet decrees", and for reestablishment of Mosadeq Govt. Presented daily reminders of number days remaining until June 9 expiration one-month period during which constitution requires govt start elections. Said Amini gives press conferences for foreign journalists, virtually ignores Iranian pressmen, demonstrating his attachment to foreigners, desire to strangle Iranian press. Foreign Ministry has become office for Americans, British; when Saudis ended U.S. base, Shah grovelingly offered new bases in Iran, and now govt has concluded agreement for naval base at Kharg Island.

Supported PTT strikers, who work longer, more tedious hours than other govt employees, with exemplary efficiency, lack of corruption; govt, as usual, instead of redressing just grievances occupied building with military forces. (UNCLASSIFIED)

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III MILITARY

A. Army

1. Retirement Lt Gen Hossein Azmudeh, Army Prosecutor-General, retired 7 June. Azmudeh claims he can only serve interest of his country by resigning from military service. Reportedly Lt Gen Gholam Hossein Vafa, 2nd Deputy SCF, replaces Azmudeh. (UNCLASSIFIED).

Comment: Recent rumors indicated Azmudeh being reassigned Deputy SCS, Vice Lt Gen Vafa. (UNCLASSIFIED)

2. Rumored release Generals. Rumored Lt Gen's Heji Ali Kia, former J-2 SCS and Alavi-Moghadam, former Min Interior, to be released from arrest in few days, because no formal charges drawn against these officers. (OFFICIAL USE ONLY).

Comment: Release of these officers would obviously be interpreted as show of weakness in Amini's anti-corruption campaign. (CONFIDENTIAL).

3. IIA budget battle. Revised IIA budget cleared by Chief SCS and deputies established priorities as follows: Pay, training, contingency fund. Min War and J-4 without concurrence of SCS changed priorities to: pay, contingency fund and training, submitted budget to Shah as though it was original budget submitted by SCS. Result is that IIA budget not firm. (CONFIDENTIAL).

Comment: Apparently Min War regards contingency fund projects, esp construction, more important than training. (CONFIDENTIAL).

4. Resignation. Reportedly Min War Lt Gen Naghdi (ret) submitted resignation to Shah which not accepted. Apparent reason attempted resignation was fact Naghdi ordered recent arrests of four generals which was violently protested by Azmudeh, Chief Justice Dept in letter to Chief SCS. (CONFIDENTIAL)

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Comment: Apparently Min War in conflict developing over both budget and recent arrest general officer. (CONFIDENTIAL).

5. Curtailment field exercises, No summer field exercises scheduled by IIA units reportedly because of unsettled political situation. (CONFIDENTIAL).

6. Tribal disturbances. Reportedly two inf bn's believed to be 9th Inf Div units dispatched from garrison to quell tribal disturbances in vicinity Ahwaz. Nature of disturbance unknown. (OFFICIAL USE ONLY)

B. Navy - Negative.

C. Air Force - Negative.

ACTION: ACSI

INFO : DCSOP, OSA, JIG, OSD, AF, NAVY, STATE, CA, CIA, NSA

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SOUTH, COMFAIRELM, USAF LINDSEY AS GERMANY, COMDR
17TH AF GERMANY, COMDR 2ND ADIV DHAHRAN SAUDI ARABIA

NR: 170500Z JW 24 JUN 61

STATE CONFIDENTIAL
SGD HOLMES
1. Political
A. Internal

1. U.S. emergency financing assistance: In re-
sponse to request of PriMin Amini for approximately \$40
million emergency financing assistance, arrangements have
been concluded for establishment substantial revolving fund
in central bank utilizing funds from existing DLF road
loans. On June 13, central bank given \$24.3 million for
inclusion this special account. if proposed additional road
loan of \$12 million approved by DLF board, part of this
loan would also be deposited special account. Central bank
earlier given \$9 million in form cash grant on FY 1961
defense support. If legal problems involved pending \$15
million ex-im loan can be resolved, total amount this loan
will be made available central bank in lump sum. (OFLUSE)

Comment: Emergency assistance provided to date
has eased acute foreign exchange problem and when available
to plan org will ease serious cash problem afflicting
public investment program. Now seems probable that GOI
can avoid foreign exchange default and work stoppages in
period prior receipt next OI payment on July 15, providing
agreement concluded re ex-im loan. (OFLUSE)

2. Stabilization consultations begun with IMF team:
Consultations were begun June 14 in Tehran with IMF
team concerning reformulation stabilization program. (UNCLASSIFIED)

Comment: GOI confident that agreement will be
quickly reached with IMF regarding establishment purposeful
stabilization program. In view, however, unsettled issues
re 1340 budget, timing estimate may be over-optimistic.
(OFLUSE)

3. Amini government election concessions: On
June 7, two days prior constitutional deadline for starting
new general elections, Amini met with NF leaders, assured
them his sincere intention of holding elections as soon
as possible under present election law.
DA IN 123244 (17 Jun 61)

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PAGE 2

NF in turn promised to refrain, for period of 2-3 months at least, from general strikes and demonstrations. Following day govt spokesman Arsanjani read statement at news conference requesting Shah to issue royal election decree, said govt on advice of supreme court planned to hold elections under revised administrative regulations, but not to amend law itself. (CONFIDENTIAL)

Comment: Royal election decree has not yet been issued nor appears likely to be in near future. Seems clear that govt is trying disarm nationalist opposition by granting largely verbal concessions. Actual holding of elections within next 3-4 months would represent major concession to opposition. (CONFIDENTIAL)

4. Aramesh-Arsanjani dispute: Former plan org chief Aramesh violently attacked foreign, specifically American, interference in Iran's internal affairs at press conf June 7. Accused U.S. of bringing down Sharif-Emami govt because of its alleged desire to reach accommodation with USSR. Govt spokesman Arsanjani next day called Aramesh man "of bad character," said his account of downfall of previous govt was "sheer fabrication." (UNCLASSIFIED)

Comment: Most disturbing feature of Aramesh's fulminations is Shah's evident reluctance to silence him despite apparent disagreement with his views. (CONFIDENTIAL)

5. New oil production record: May oil production by consortium (.3 million tons) set new record, exceeding by 6 percent previous record (October 1960). (UNCLASSIFIED)

Comment: As result consortium efforts maximize production following reopening Abadan Port April 23, production and exports have snapped back vigorously. (UNCLASSIFIED)

B. External

1. Iran-USSR: Sov Amb Pegov departed for Moscow June 12. Sov Emb officials said Pegov returning to attend central committee plenum CPSU.

UPI correspondent reported Sov Amb left in "protest against repeated failure win over Iran" and quoted Pegov as saying earlier in week that he was surprised and amazed at PriMin's stand on East-West relations. (UNCLASSIFIED)

Rumors, possibly emanating from Sov Embassy, supported supposition that Pegov departure was form of protest and speculated he would be away for some time. Fon Min told amb however, that Pegov left in apparent good humor and without indicating any unusual displeasure over foreign policy in Iran. (CONFIDENTIAL)

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2. Iran-US: Ambassador Holmes arrived June 11.
Will present credentials June 17. (UNCLASSIFIED)

II. Psychological

A. Press

1. Ambassador Holmes. Most papers salute his arrival, urge him make haste to repair deteriorating U.S.-Iranian relations, make strong effort to really know people, abjure contact with Iranians and Americans who plunder country and drive it toward Communism. (UNCLASSIFIED)

2. Amini. Despite a few sour editorial voices, most papers acclaim Amini reform efforts, applaud import, travel ban, urge continued decisive action, call for people to rally behind him. (UNCLASSIFIED)

3. Land reform: Govt spokesman Arsanjani claims big landowners inciting peasants to riot, most papers warn peasants not succumb, urge landowners follow example of Shah established in his recent Mazandaran land deed distributions. (UNCLASSIFIED)

4. Neutrality. Editorial ardor for neutrality cooler while Poste Tehran, Tolu, several other small papers herald CENTO economic projects, insist neutrality as expensive, dangerous as CENTO participation. (UNCLASSIFIED)

Comment: Government may be using its influence with several papers to counter recent bitter attacks on Iran's participation in CENTO. (OFLUSE)

5. Tudeh party. Atesh, Jahan warn recent attempts unionize railroad workers evidence resurgence of Tudeh party. (UNCLASSIFIED)

6. K-K meeting. Sparse editorial comment, analysis, Rowshanfekr, Khandaniha, Sepide Siah conclude results indecisive while Azhang calls meeting failure, blow to peace-loving people of the world. (UNCLASSIFIED)

7. USAFE Intelligence summary. Persian edition Ettelaat 14 June printed USAFE daily intelligence summary labeled SECRET-NOFORN, reportedly received from Italy with Rome postmark. Document concerns troop movements in Middle East, other military matters. Local press asking AmEmbassy if document authentic. (CONFIDENTIAL)

Comment: Document cover printed in paper is authentic. Emb attempting play situation down locally. (CONFIDENTIAL)

B. Radio

1. Radio Iran. Wide news coverage. Indignant editorial comment alleged Moscow conference which pledged anti-Islam drive throughout USSR, elsewhere.

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Ambassador Holme's arrival covered, his arrival statement broadcast in full three times June 13. (UNCLASSIFIED)

2. Radio Moscow/NVI. RM continued neutrality theme. Said new cabinet still follows old policy of adherence to CENTO, US military agreement; in words of "old Persian proverb," "Pot is new but water in it is same." Said US mil advisors active in Iran for 20 years, now total 4,600. People dissatisfied, because Iran needs civil improvements, not military. Gen Hayden and advisors consider selves supreme in Iranian Army, often sent relatively junior officers with broad powers to supervise and inspect Iranian units under command of senior, experienced Iranian officers. So-called handing-over of Dezful field to "IAF control" by Gen Hayden is mask which fools no one; installations, bombers, equipment there are American, and personnel and equipment of evacuated Dhahran base in Saudi Arabia will be transferred to Dezful. Cited US news and world report article "is it Iran's turn now?" as saying Iran has suddenly joined ranks of unstable countries, forcing Shah to be very careful in order to maintain throne in face of rising dissatisfaction. Communist party has no actual political activity but maintains obvious pol power. NVI welcomed new US Ambassador with shrill attack, accused him of being embezzler who is "best possible choice" to work with corrupt "coup regime". Said Holmes's airport statement supporting CENTO shows the "new" policy of Kennedy govt really is same old policy, and his announced support for Amini govt is interference in Iran's internal affairs, since Iranian people have rejected Amini govt. Quoted "an Iranian newspaper" as saying Holmes does not know how much people hate America; he is first Amb to be attacked before arrival Iran, will be confronted with new attacks after arrival.

Said increasing national front power caused US advisors and "espionage office" to prepare plan for new coup, imposition military dictatorship; early June meeting of former US Amb, Gen Hayden, high US staff personnel, and two Iranian generals discussed implementation this plan. Continued to attack Western aid: Said new loans will not help situation Iran, must be used to help pay past loans, with result Iran stays deep in debt to capitalists.

Called for revolution by farmers against corrupt, tyrannical landlords. At same time, urged that if new elections held, landlords must be kept out of villages to prevent election of reactionary Majlis which will prevent land reform; landowners like Zolfaqaris, Alams Bakhtiaris, Qavams are planning to take over any elections which might be held. (UNCLASSIFIED)

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III. Military

- A. Army-negative
- B. Navy-negative
- C. Air Force

1. F-84 crash. An Imperial Iranian Air Force F84G was lost on 13 June during fighter intercept training. Pilot parachuted and was uninjured. (UNCLASSIFIED)

Comment: Since all remaining F84G's will be retired from IIAF by 30 June 1961, this loss does not significantly affect aircraft strength or order of battle. (UNCLASSIFIED)

ACTION: ACSI

INFO : DCSOP, CA, OSA, JIG, OSD, AF, NAVY, STATE, CIA, NSA

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RMR

FROM: SANA TEHRAN IRAN

TO: DA, CINCUSAREUR HEIDELBERG GERMANY, US DIV ENGR
MED DIV LEGHORN ITALY, USCINCEUR, CINCNELM, USDOCO-
SOUTH, COMFAIRELM, USAFE LAS GERMANY, COMDR 17TH AF
GERMANY

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JW 25

JUN 61

STATE CONFIDENTIAL
SIGNED HOLMES
1. Political

A. Internal

1. Amb's conversations with Shah, Amini:
During past week Amb Holmes had first meetings with PriMin,
Shah. Latter took advantage of presentation of credentials
June 17 to restate military, strategic importance of Iran
to West, and to reiterate need for military assistance, par-
ticularly better equipment. Shah, whose attitude was frank
and friendly, indicated desire to keep in close touch with
Amb.

On June 19 Amini emphasized to Amb his
determination to change pattern in Iran so that PriMin
and Govt would become responsible to people, not errand
boys of Shah. Said he was trying to impress on Shah that
salvation of crown and country depended on moving with
times, but was having difficulty persuading Shah of correct-
ness this view. PriMin clearly worried about Shah's con-
tinuing support of some measures, and asked for Amb's help
in persuading Shah to continue support his program. Amb
told Amini of excellent impression his program had made in
Washington, and said he personally would do all he appropri-
ately could to be of assistance. (C)

2. Economic developments: G01 18 June
announced decree banning use traders' own foreign exchange
for consumers' goods imports for which letters of credit
had already been banned (WEEKA 23). This move relieved
pressure on free foreign exchange market, where dollar rate
declined from peak of 88 rials 18 June to 84 rials 21 June.

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Stablization consultations which began June 14 with visiting IMF team scheduled continue through 28 June; no agreements reached yet. (U)

Comment: Recent U. S. emergency financing assistance (WEEKA 24) and GOI's foreign exchange savings measures have served to eliminate immediate foreign exchange crisis both in banks and free market. Plan org cash flow problems, however, still acute, with possibility work stoppages before 15 July unless rapid transfers made from various accounts. (OUO)

3. Arsanjani press conference: Govt spokesman Arsanjani made following points in June 14 press conference:

(1) Replied question Sov economic assistance saying Iran prepared accept any aid proposals provided no strings attached.

(2) Said recent statements on CENTO magnified out of proportion. Iran's main interest in CENTO is economic rather than military, though Iran also interested in own territorial integrity.

(3) Sharply criticized clandestine radio for attempting foment revolution in Iran, but did not refer by name.

(4) Promised election decree will be forthcoming as soon as judicial committee reviewing elections completes its work.

(5) Promised "amazing revelations" on corruption front "soon". (U)

Comment: Press headlined statement on economic assistance as invitation for Sov aid offers. Emphasis on unconditional nature such aid left Govt considerable latitude for rejection however. Remarks on CENTO regarded as toning down strong statements re Iran's commitments made previously by Amini. On local scene, Govt obviously not in hurry rush into elections (C)

4. Attack on Govt by General Azmudeh: Former Army

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Prosecutor General Hosein Azmudeh on June 15 submitted complaint to public prosecutor charging Amini Govt with unconstitutional acts. Two days later Govt spokesman Arsanjani said MinWar had been asked to prosecute Azmudeh on charges of inciting public discontent and insulting the Crown. He was arrested June 19. A complicating factor in this affair was publication in June 18 Kayhan of interview with Justice Minister Alamuti, in which latter was quoted as calling Azmudeh "the brother of Eichmann, a murderer, and sadist." This statement, later denied by Alamuti, led to one-day suppression of Kayhan on June 19. (U)

Comment: Azmudeh's arrest followed widespread speculation that his attack on Amini Govt made on behalf of Shah. A cabinet minister told the Embassy the decision to act swiftly was made both to silence challenge to Govt's authority and to find out whether Azmudeh was backed by high military officers or the Shah himself. Alamuti's emotional outburst clearly gave the impression of a personal vendetta between prosecuted former Communist and ex-prosecutor of Communists, a connotation Amini obviously wished to avoid. (C)

5. National Front press conference: On June 17 Karim Sanjabi, speaking for National Front, described present Govt as illegal and warned Amini that elections could not long be delayed without provoking serious fight from NF; claimed Gov had falsely told press NF was infiltrated by Communists; and said finally that consortium agreement and Iranian participation in CENTO were in need of review. (U)

Comment: NF is confident that it will come out well in an election with reduced Govt interference, and is maintaining mild pressure on Govt to that end. While not wishing to push Amini to extreme position, it cannot afford complete quiescence, which would alienate its following. (C)

6. New Commerce Minister: GOI 19 June announced appointment Dr. Jahangir Amuzegar Min Commerce, succeeding Pur-Homayun who remains Dep Pri Min Econ Affairs (U)

Comment: Amuzegar about 38, studied and taught economics U.S. universities, known to be pro-American, honest, capable. Is considered "AmEmb appointment" by

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Govt hierarchy. (OUO)

7. Oil expropriation anniversary: Crow of approximately 1,000 demonstrated at Tehran Univ on June 19 commemorating tenth anniversary expropriation Anglo-Iranian Oil Co. Speeches praised Mosadeq, denounced 1954 consortium agreement. Police on hand but no disturbances occurred. (OUO)

II Psychological

A. Press

1. Berlin: Wire service reports Khrushchev statements, Western reaction widely used, but comment light. Etelaat says move not surprising since stability East Europe impossible without settlement Berlin issue and without stability there Communist attacks elsewhere face failure. Sees "dreadful threat." Poste Tehran twice hopefully opines nothing will happen.

2. U.S.-Iran: Spate of critical comment from small papers, noting errors U.S. policy such as supporting corrupt governments because they obedient. Poste Tehran, welcoming U.S. assistance, warns Amb Holmes Iran wants no interference.

3. Amini: Abundant comment dominates other issues. Though dissident voices still arising, vast majority papers, including big dailies, continue support Govt, call on people to give it time and active support.

4. Neutralism: Topic still alive small papers, one defending Govt support for CENTO, another declaring neutralism all right in theory but Iran deserves more from Est for alignment, and a third opposing CENTO outright, pointing to Iraq, Laos as examples of uselessness of defensive pacts with U.S.

5. Press restrictions: Major daily Kayhan suspended for one day for allegedly misquoting MinJustice. (See I-A-4). Atesh suspended entirely because consistently anti-regime.

Comment: Though twitting Govt for erroneous action, Kayhan reaffirmed support. (U)

B. Radio

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1. Radio Moscow/NVI: RM made less ref to Iranian affairs this week. Attacked new US foreign aid program, saying in past US has merely filled pockets reactionary leaders Taiwan, South Korea, South Vietnam, Philippines, Turkey, Jordan, Iran. Quoted Ahmad Aramesh as saying US sends advisors under pretext of aid in order obtain economic ascendancy over underdeveloped countries, then exploits them cruelly. Cited Khrushchev's statement that regimes founded on oppression always unstable, cannot last long even with US aid.

NVI continued extensive attacks on Ambassador Holmes, Shah; continued call for Nationalist revolution, return of Mosedeq. Said Holmes has engaged in "mysterious activities" since arrival Tehran, is empowered to take "violent measures," prepare military coup by Shah's hand; plans install "impudent executioner" Bakhtiar, whom Shah has had studying South Korean coup, as Shah's Premier, and include Kia in cabinet. Said Holmes's "all-flattering" statement to Shah at presentation credentials intended show State Department interest in maintaining Shah's "coup regime"; meanwhile, "murderer" Azmudeh's attack on Amini Govt is first step in impending coup.

Noted Shah has gone to Caspian to enjoy self "during these mourning days," at vast estates which his dictator-father stole from thousands of peasants. Said Shah, his tiny son, and "third wife" each get huge monthly salary, and foreign banks filled with money embezzled by Shah; despite such wealth, Shah also takes proprietor's share of crops from laboring peasants on Shah's lands.

Also reported Turkey, worried over "weakness" of Shah, may soon obtain right to establish military units in Azerbaijan; and briefly noted reputed discovery large-Scjoe embezzlement in Tehran Bus Company, involving Shah's brothers, other Royal Court members. (U)

III Military

- A. Army - Negative.
- B. Navy

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1. American flag visit: RAdm Jackson, USN, Commander Middle East Forces visited Iran June 3-12. Spent 3 days each in Abadan, Shiraz, and 2 days Isfahan, Tehran. Flagship Valcour called at Abadan. Adm guest of RAdm Ardalan, Commander IIN South Iran and Persian Gulf for tour of IIN ships and Khorramshahr Naval Base. (OU0)

C. Air Force

(1) Crash of IIAF C-47: IIAF C-47 crashed on 20 Jun during paratroop drop exercises 30 kilometers from Tehran. Nine IIAF and Army fatalities. This reduces IIAF transport inventory to ten C-47 aircraft. (U)

ACTION: ACSI

INFO: DCSOP, OSA, JIG, OSD, AF, NAVY, STATE, CIA, NSA

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